

BOARD OF DIRECTORS (as on May 8, 2012)

R K Krishna Kumar

Chairman

D Varada Reddy

Managing Director

S B P V Ramamohana Rao

Director

Dr. G Sundaram

Director

Raymond N Bickson

Director

D R Kaarthikeyan

Director

Diwan Arun Nanda

Director

Venu Srinivasan

Director

D Vijayagopal Reddy

Director

S Y Syed Meeran

Director

Pramod Ranjan

Director

Ramesh D Hariani

Director

ORIENTAL HOTELS LIMITED
SHAREHOLDERS' INFORMATION

Annual General Meeting Venue	<p>July 17, 2012 at 2.45 p.m. Satguru Sri Gnanananda Hall, Narada Gana Sabha, 314, T T K Road, Chennai 600 018</p>
Company Secretary Legal Advisor	<p>T S Sundarambal T Raghavan</p>
Auditors	<p>No. 25, T T K Road, Chennai 600 018 Messrs. Brahmayya & Co., Chartered Accountants No. 48, Masilamani Road, Balaji Nagar Royapettah, Chennai 600 014</p>
Bankers	<p>Messrs. SNB Associates Chartered Accountants No. 12, III Floor, Gemini Parsn Complex, 121, Anna Salai, Chennai 600 006 Standard Chartered Bank Indian Bank HDFC Bank</p>
Book Closure Date Registered Office	<p>July 11, 2012 to July 17, 2012 (both days inclusive) Taj Coromandel, 37, Mahatma Gandhi Road, Chennai 600 034</p>
Secretary's Office	<p>Paramount Plaza II Floor 47, Mahatma Gandhi Road, Chennai 600 034 Telephone: 044-28222827 Fax: 044-28254447/28278138 ohlshares.mad@tajhotels.com</p>
E-mail Website Listing	<p>www.orientalhotels.co.in</p>
<ul style="list-style-type: none"> Equity Shares 	<p>Madras Stock Exchange Ltd. Exchange Building, New No. 30, Second Line Beach Chennai – 600 001 Telephone:044-25228951/52/53/4393 Fax:044-25244897</p>
<ul style="list-style-type: none"> Shares underlying Global Depository Receipts 	<p>Bombay Stock Exchange Ltd. II Floor, New Trading Ring, Rountana Building P J Towers, Dalal Street, Mumbai : 400 001 Telephone:022-22721233/34 Fax:022-22722082/3132</p> <p>National Stock Exchange of India Ltd. Exchange Plaza, 5th Floor, Plot No. C/1, G Block, Bandra Kurla Complex, Bandra (E), Mumbai : 400 051 Telephone: 022-26598235/36/8346 Fax: 26598237/38/8347/48</p>
ISIN Number Stock Code	<p>Luxembourg Stock Exchange Societe de la Bourse, De Luxembourg S A B.P.165 L-2011 Luxembourg Fax: 00352473228/3298 INE750A01020 ORIENTHOT EQ – National Stock Exchange Ltd. 500314 – Bombay Stock Exchange Ltd.</p>
Registrars & Share Transfer Agents	<p>M/s Integrated Enterprises (India) Ltd. II Floor, Kences Towers, 1, Ramakrishna Street, T Nagar, Chennai 600 017</p>

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Forty second Annual General on Tuesday, July 17, 2012 at 2.45 p.m. at Sathguru Sri Gnanananda Hall, Narada Gana Sabha, 314, T T K Road, Chennai 600 018

ORIENTAL HOTELS LIMITED
FINANCIAL HIGHLIGHTS

₹ Lakhs

HIGHLIGHTS	2011-12	2010-11	2009-10	2008-09	2007-08
Gross Revenue	27,020.53	23,904.11	20,216.69	21,836.08	22,004.60
Profit Before Tax	1,880.96	3,205.99	3,536.99	5,757.84	6,657.60
Taxation	617.76	977.42	1,222.43	2,025.46	2,308.24
Profit After Tax	1,263.20	2,228.57	2,314.56	3,732.38	4,349.36
Dividend, dividend tax, Surcharge and cess	934.08	1,660.58	1,561.97	1,880.57	2,194.00
Retained Earnings	2,284.27	2,110.71	2,123.90	3,175.60	3,415.31
Funds Employed	56,424.38	52,032.64	48,833.87	35,839.94	27,536.26
Net Worth	29,488.98	29,204.99	28,637.00	27,884.41	26,032.60
Borrowings	29,036.85	21,667.90	19,065.95	6,766.42	304.82
Net Worth per Share	16.51	16.35	16.03	15.61	14.56
Earnings per Equity Share	0.71	1.25	1.30	2.09	2.44
Dividend on Equity Share	45%	80%	75%	90%	105%
Debt : Equity Ratio	0.98 : 1	0.74 : 1	0.66 : 1	0.24 : 1	0.01 : 1

Note : Net worth per share is based on equity share of ₹ 1/-

ORIENTAL HOTELS LIMITED
NOTICE TO MEMBERS

NOTICE is hereby given that the Forty Second Annual General Meeting of the Members of Oriental Hotels Limited will be held at Sathguru Sri Gnanananda Hall, Narada Gana Sabha, 314, T T K Road, Chennai 600 018 on Tuesday, July 17, 2012 at 2.45 p.m. to transact the following business:

1. To receive, consider and adopt the Directors' Report, Audited Profit and Loss Statement for the financial year ended March 31, 2012 and the Balance Sheet as on that date together with the Auditors' Report thereon.
2. To declare a dividend.
3. To appoint a Director in the place of Mr. R K Krishna Kumar who retires by rotation and is eligible for re-appointment.
4. To appoint a Director in the place of Mr. Pramod Ranjan who retires by rotation and is eligible for re-appointment.
5. To appoint a Director in the place of Mr. Arun Nanda who retires by rotation and is eligible for re-appointment.
6. To appoint Auditors and fix their remuneration.

NOTES :

1. A MEMBER ENTITLED TO ATTEND AND VOTE IS ENTITLED TO APPOINT A PROXY TO ATTEND AND VOTE ON A POLL INSTEAD OF HIMSELF AND THE PROXY NEED NOT BE A MEMBER. The instrument appointing a proxy should however be deposited at the Registered Office of the Company or at the office of the Company Secretary not less than 48 hours before the commencement of the meeting.
2. The Register of Members and the Transfer Books will remain closed from July 11, 2012 to July 17, 2012 (both days inclusive) for payment of dividend.
3. The dividend on Equity Shares as recommended by the Directors for the year ended March 31, 2012, if approved at the Annual General Meeting, will be paid within 30 days i.e. on or before August 15, 2012 to those Members whose names appear in the Register of Members as on July 17, 2012. In respect of shares held in electronic form, the dividend will be payable on the basis of beneficial ownership as per details furnished by the Depositories for this purpose.
4. The Company prefers use of ECS/NECS for payment of dividend. Considering the advantages and in order to avoid loss of dividend warrants in transit, delay in receiving the warrants and to protect against fraudulent encashment of dividend warrants, members are requested to provide ECS/NECS Mandate, if not provided earlier. In respect of the Members who have given mandate for payment of dividend through ECS/NECS, the dividend will be paid through ECS/NECS and their bank account details will be printed on the ECS/NECS advices. After credit of dividend, a confirmation will be sent to the concerned Members.

In light of the above, Members are requested to furnish the new bank account number, if any, allotted to them by their bank after implementation of the Core Banking Solutions (CBS), together with the name of the bank, branch address, 9-digit MICR bank/branch code and account type by quoting their folio number and a photocopy of a cheque pertaining to their bank account, so that the dividends can be credited to the said bank account. Those members holding shares in demat form are requested to provide the same details to their Depository Participant (DP). Please note that in case the Members do not provide the said details as aforesaid, credit of dividends through NECS to their old bank account number may be rejected or returned by the banking system at the ECS centre

NOTICE TO MEMBERS

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- level itself in terms of Reserve Bank of India (RBI) circular dated July 29, 2009. In such cases, the Company would issue physical dividend warrants to the concerned Members post such rejection.
5. Pursuant to Section 205A of the Companies Act, 1956 all dividends remaining unclaimed for seven years from the date they first became due for payment are now required to be transferred to the “Investor Education and Protection Fund” (IEPF) established by the Central Government under the amended provisions of the Companies Act, 1956. Members shall not be able to claim any unpaid dividend from the said Fund nor from the Company thereafter. It may be noted that unclaimed dividend declared for the year ended March 31, 2005 and which remain unclaimed is due for transfer to the Fund by August 24, 2012. Members who have not encashed their dividends so far for the financial year ended March 31, 2005 or any subsequent financial years are requested to claim the amount from the Company before end July 2012.
 6. Dividends declared and paid up to the financial year ended March 31, 1994 and which remained unclaimed has been transferred to the General Revenue Account of the Central Government. Members who have not encashed the dividend warrants for the said period or earlier are requested to claim the amount from the Registrar of Companies, Tamilnadu, Shastri Bhavan, 26, Haddows Road, Chennai-600 006.
 7. As per the provisions of the Companies Act, 1956, facility for making nominations is now available for shareholders in respect of shares held by them. Nomination forms can be obtained from the Company Secretary’s Office at Paramount Plaza, II Floor, 47 Mahatma Gandhi Road, Chennai 600 034.
 8. Members may please note that Equity Shares of the Company of the face value of ₹ 10/- each has been sub-divided into face value of ₹ 1/- each with effect from November 12, 2010. The Members still holding old share certificates of the face value of ₹ 10/- each are once again requested to surrender them to the Company/Registrar and Transfer Agents in order to enable the Company/Registrar and Transfer Agents to issue sub-divided Share Certificates of the face value of ₹ 1/- each in lieu thereof. Company has been sending reminders to the concerned Members to exchange their old Certificates with new sub-divided share certificates.
 9. As per new clause 5A (II) of the Listing Agreement, the company has transferred all the share certificates remaining undelivered, unclaimed by the shareholders due to insufficient/ incorrect information to “Unclaimed Suspense Account” and also has dematerialised the shares held in the said Unclaimed Suspense Account. All corporate benefits in terms of securities accruing on such shares viz. bonus shares, split etc. shall also be credited to such Unclaimed Suspense Account. The voting rights on such shares shall remain frozen till the rightful owner claims the shares. Members who have not claimed their shares pursuant to stock split are requested to claim the same by surrendering the old share certificates either to the Company or to the Registrars and Transfer Agents.
 10. Members/Proxies should bring the Attendance Slip sent herewith duly filled in for attending the Meeting. **ONLY MEMBERS/ PROXIES WILL BE ADMITTED INTO THE AUDITORIUM FOR THE MEETING.**
 11. Members desiring any information as regards the accounts are requested to write to the Company Secretary at an early date so as to enable the Management to reply at the Meeting.
 12. Members holding shares in physical form are requested to intimate the Company regarding any change in their addresses/bank mandates to enable the Company to address future communication to their correct addresses. Members holding shares in electronic / dematerialised form are requested to inform the Depository Participant (DP) with whom they hold their demat account about changes in their address/bank details for necessary updation.
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NOTICE TO MEMBERS

13. The Securities and Exchange Board of India (SEBI) has mandated the submission of Permanent Account Number (PAN) by every participant in securities market. Members holding shares in electronic form are, therefore, requested to submit the PAN to their Depository Participants with whom they are maintaining their demat accounts. Members holding shares in physical form can submit their PAN details to the Company / Registrars and Transfer Agents, M/s Integrated Enterprises (India) Ltd.
14. The Company has implemented the "Green Initiative" as per circular nos. 17/2011 dated April 21, 2011 and 18/2011 dated April 29, 2011 issued by the Ministry of Corporate Affairs (MCA) to enable electronic delivery of notices/documents and annual reports to shareholders. Members who wish to receive Notices/documents including those covered under Section 219 of the Companies Act 1956 through electronic mode, are requested to confirm their email address to the Company/Registrars and Share Transfer Agents, Messrs. Integrated Enterprises India Ltd. quoting their folio number(s) / client ID. The Notice of AGM and the copies of Audited Financial Statements, Directors' Report, Auditors' Report, etc. will also be displayed on the website of the Company www.orientalhotels.co.in and the other requirements of the aforesaid MCA circular will be duly complied with.
15. As a measure of economy, copies of the Annual Report will not be distributed at the Annual General Meeting. Members are requested to kindly bring their copies of the Annual Report to the Meeting.
16. Pursuant to Clause 49 of the Listing Agreement, the particulars of Directors seeking appointment/re-appointment at the meeting are annexed.

By Order of the Board of Directors
For and on behalf of
ORIENTAL HOTELS LIMITED

Bengaluru
May 8, 2012

T S Sundarambal
COMPANY SECRETARY

Registered Office:
Taj Coromandel
37 Mahatma Gandhi Road,
CHENNAI 600 034

ORIENTAL HOTELS LIMITED

Details of Directors seeking re-appointment at the forthcoming Annual General Meeting of the Company (pursuant to Clause 49 of the Listing Agreement with the Stock Exchanges)

Name of Director	Mr. R K Krishna Kumar	Mr. Pramod Ranjan	Mr. Arun Nanda
Date of Birth	July 18, 1938	April 2, 1967	August 20, 1943
Date of Appointment	September 21, 1997	January 21, 2008	October 17, 2008
Expertise in specific functional areas	Management	Business	Business
Qualifications	M.A	B.Com (Hons.) MBA (Melbourne)	MBA (IIM, Ahmedabad)
Details of shares held in the Company	Nil	29,27,660	Nil
List of Companies in which outside Directorships held as on 31.03.2012 (including private and foreign companies)	<p>Director – Public Companies Tata Sons Ltd. Tata Industries Ltd. Tata Starbucks Ltd.</p> <p>Vice Chairman The Indian Hotels Co. Ltd. Tata Global Beverages Ltd.</p> <p>Chairman Tata Coffee Ltd. Tata Housing Development Co. Ltd. Ewart Investments Ltd. PIEM Hotels Ltd. INFINITI Retail Ltd. NourishCo Beverages Ltd. Tata Realty & Infrastructure Ltd.</p> <p>Private Companies RNT Associates Pvt. Ltd. – Director Casa Decor Private Ltd. – Chairman</p> <p>Foreign Companies Director Tata Global Beverages Extractions Inc., USA Tata Tech. Inc. USA Tata Global Beverages Group Ltd. Tata Global Beverages Investments Ltd. Tata Ltd., London Tata AG, ZUG Tata International AG, ZUG Tata Enterprise Overseas ZUG Watawala Plantations Ltd. Estate Management Services (Pvt.) Ltd., Sri Lanka</p> <p>Chairman Bjets Pte. Ltd., Singapore</p>	<p>Director– Public Companies Kaveri Retreats and Resorts Ltd. Dodla International Ltd.</p> <p>Private Companies Coromandel Sea Foods Private Ltd. Mediclone Biotech Private Ltd. Indian Landscapes Company Pvt. Ltd. Coromandel Beach Properties Pvt. Ltd. Cocoon Resorts Pvt. Ltd. Kodai Heights Properties Pvt. Ltd. Prestige Garden Resorts Pvt. Ltd. Whitesands Freight Pvt. Ltd.</p>	<p>Director– Public Companies Rediff.com India Ltd. Clariant Chemicals (India) Ltd. Eveready Industries (India) Ltd.</p> <p>Private Companies Rediffusion-DY&R Pvt. Ltd. Rediffusion Holdings Pvt. Ltd. Arion Horse Co. Pvt. Ltd. Wunderman India Pvt. Ltd. Everest Brand Solutions Pvt. Ltd. Showdiff Worldwide Pvt. Ltd.</p> <p>Foreign Companies Rediffusion –DY&R Pvt. Ltd., Sri Lanka</p>
Chairman/Member of the *Committees of other Companies on which he is a Director	<p>Shareholders’/Investors’ Grievance Committee Tata Coffee Ltd. – Chairman The Indian Hotels Company Ltd. – Member</p> <p>Audit Committee Tata Global Beverages Ltd. – Member</p>		<p>Audit Committee Clariant Chemicals (India) Ltd. – Member</p> <p>Investors Grievance Committee Clariant Chemicals (India) Ltd. – Chairman</p>

*The Committees include the Audit Committee and Shareholders’/Investors’ Grievance Committee

DIRECTORS' REPORT

To the Members:

The Directors have pleasure in presenting the forty second Annual Report of the Company together with its Audited Statement of Accounts for the year ended March 31, 2012

Financial Results:

		₹ lakhs	
		Year ended March 31	
		2012	2011
1.	Profit before tax amounted to	1881	3206
	Deducting there from :		
	Provision for tax		
	Current	383	948
	Minimum Alternate Tax	(383)	
	Deferred	618	29
	Profit after tax	1263	2229
	Balance brought forward from previous year	6537	6469
	The distributable profit amounted to:	7800	8698
2.	Dividend		
	(a) The Board of Directors has recommended payment of Dividend of Rs.0.45 (45%) per Equity Share of ₹ 1 each {Previous Year : ₹ 0.80 (80%)} per Equity Share of ₹ 1/- each was declared and paid)	804	1429
	(b) Tax on dividend	130	232
3.	Amount transferred to General Reserve and Debenture Redemption Reserve	315	500
	Balance carried forward	6551	6537
	Earnings per share (Equity shares par value ₹ 1/-Previous year ₹ 1/-)	0.71	1.25

Operating Results:

Average Room Rates across the key domestic markets grew by 7% during 2011/12 as compared to the previous year. All the hotels showed a growth in ARR's.

Occupancy across the hotel units of the Company was 64% as compared to 68% in the previous year. Room inventory grew by 200 RPD due to additional inventory at Vivanta by Taj Fisherman's Cove and Vivanta by Taj, Surya - Coimbatore, which was opened on January 19, 2012 with 180 rooms.

The Chennai market had reported occupancies of 65% and ARR of ₹ 6,753 as against 67% and ₹ 6,813 in the previous year.

The Company recorded 13% increase in turnover at ₹ 27021 lakhs for the year ended March 31, 2012. Room Income improved by 12% over the previous year. The occupancy declined to 64% from 68% and the ARR increased by 7% over the previous year. Food and Beverage Income was 10% higher than that of the previous year. Increase in room and F & B income was due to income from Vivanta by Taj - Surya, Coimbatore opened during the year under review.

DIRECTORS' REPORT

Profit before tax at ₹ 1881 lakhs was 41% lower while profit after tax at ₹ 1263 lakhs was 43% lower than that of the previous year. The Company is taking the benefit under Section 35AD of the Income Tax Act on the capital expenditure incurred on Coimbatore hotel and consequently the company has deferred tax to the future years after payment of Minimum Alternate Tax (MAT).

Consolidated Financial Results:

The consolidated turnover of the Company for the year ended March 31, 2012 aggregated to ₹ 32742 lakhs as against ₹ 28286 lakhs for the previous year. The profit after tax aggregated to ₹ 2249 lakhs as against ₹ 2917 lakhs for the previous year.

Dividend:

Your Directors recommend a dividend of ₹ 0.45 (45%) per equity share of ₹ 1/- each for the financial year ended March 31, 2012. The total amount of dividend outgo will be ₹ 934 lakhs which includes the tax on dividend amounting to ₹ 130 lakhs as against ₹ 1429 lakhs as dividend and ₹ 232 lakhs as tax on dividend for the previous year. The Dividend, if approved by the Members at the forthcoming Annual General Meeting, will be paid within 30 days thereof i.e. on or before August 15, 2012 to the Members whose names appear on the Register of Members as on July 17, 2012. In respect of Members holding shares in electronic form, the dividend will be paid to those Members whose names appear in the beneficial holders list as furnished by the Depositories for this purpose. The dividend income is not taxable in the hands of the shareholders.

Borrowings:

Total borrowings stood at ₹ 29237 lakhs as at March 31, 2012 as against ₹ 21468 lakhs as on March 31, 2011 for the standalone entity. The consolidated debt stood at ₹ 31549 lakhs as on March 31, 2012 as against ₹ 23341 lakhs as on March 31, 2011.

The Company raised ₹ 100 crores by issuing 10.4% Non Convertible Debentures which was used for repayment of existing loans and to meet construction of Coimbatore hotel, expansion of Fisherman's Cove and renovation activities at Taj Coromandel.

Capital Expenditure:

During the year under review, the Company incurred ₹ 9008 lakhs towards capital expenditure. Major expenditure was incurred for the construction of Vivanta by Taj Surya, Coimbatore, expansion of Vivanta by Taj- Fisherman's Cove and renovation activities at Taj Coromandel.

Business overview:

The resilience shown by the Indian economy in 2009/10 and 2010/11 gave way and there was a significant slowdown in economic activities during 2011/12. Gross Domestic Product (GDP) slipped to 6.9% in 2011/12. Industrial sector performed poorly retreating to a 27% share of the GDP. Overall growth during April - December reached 3.6% as compared to 8.3% in the corresponding period of the previous year.

Inflationary pressures continued to persist through 2011/12 with an increase in the latter part of the year due to higher than anticipated rise in food and oil prices. Inflation was high during most of the year 2011/12. The year witnessed a sharp increase in interest rates that resulted in higher costs of borrowings; and other rising costs affecting profitability thereby impacting internal accruals that could be used to finance investment.

Foreign tourist arrivals (FTAs) in India during 2011 were 6.29 million with a growth rate of 8.9% as compared to 5.78 million in 2010 with a growth rate of 11.8% over 2009. The 8.9% growth rate is much better than UNWTO's projected growth rate of 4% to 5% for the world during the same period. Foreign Exchange

Earnings from tourism in Rupee terms during 2011 were ₹ 77591 crores with a growth rate of 19.6% as compared to ₹ 64889 crores with a growth rate of 18.1% during 2010 over 2009. Despite a whole host of challenges over the past decade – from terrorist attacks and health scares to natural disasters – international travel and tourism demand has shown phenomenal growth.

Subsidiary Company:

Vide General Circular No. 3/2011 – N. 5/12.2007-CL-III dated February 21, 2011, the Ministry of Corporate Affairs, Government of India had granted general permission to Companies wherever the holding company gives its consent and comply with the conditions prescribed by the Ministry. Accordingly, Companies are required to comply with the conditions prescribed in order to avail the exemption from attaching the balance sheet, profit and loss statement, etc. of the subsidiary company in the Annual Report of the Holding Company. Your company has complied with the conditions stipulated by the ministry as detailed hereunder:

- i. The Board of Directors of the Company has by a resolution given its consent for not attaching the Balance Sheet, Profit and Loss Statement etc. of the subsidiary, OHL International (HK) Ltd.;
- ii. In the annual report, the Consolidated Financial Statements of the company and its subsidiary, OHL International (HK) Ltd. duly audited by statutory auditors are presented;
- iii. The company has prepared the Consolidated Financial Statement in strict compliance with the applicable Accounting Standards and Listing Agreement as prescribed by SEBI;
- iv. Capital, reserves, total assets, total liabilities, details of investment (except investments in the subsidiary), turnover, profit before and after taxation and provision for taxation and proposed dividend are disclosed in the consolidated balance sheet;
- v. The company has undertaken in its annual report that the annual accounts of the subsidiary company and related information shall be made available to shareholders of the holding and subsidiary company seeking such information at any point of time. The annual accounts of the subsidiary company shall also be kept for inspection by any shareholder in the corporate office of the company and of the subsidiary company and a note to the above effect is included in the annual report of the company. The company shall furnish a hard copy of details of accounts of subsidiary to any shareholder on demand;
- vi. The company as well as its subsidiary company, OHL International (HK) Ltd. shall regularly file such data to the various regulatory and Government authorities as may be required by them;
- vii. The company shall give Indian rupee equivalent of the figures given in foreign currency appearing in the accounts of the subsidiary company OHL International (HK) Ltd. along with exchange rate as on the closing day of the financial year.

Hence the accounts of the Subsidiary, OHL International (HK) Ltd. are not appended to the Annual Report. However, the Consolidated Financial Statement of the Subsidiary, Joint Ventures and Associates prepared in strict compliance with Accounting Standard 21 and the Listing agreement, duly audited by the Statutory Auditors form part of the Annual Report.

The Financial Statements of the Subsidiary Company and other related detailed information are available at the office of the Company Secretary at any point of time. The Annual Accounts of the Subsidiary Company will also be available for inspection at the office of the Company Secretary and the Subsidiary Company.

Listing:

The Equity Shares of your Company are listed on Madras Stock Exchange Limited, Chennai, Bombay Stock Exchange Limited, Mumbai, and National Stock Exchange of India Limited, Mumbai and the Global Depository Receipts (GDRs) are listed on Luxembourg Stock Exchange. Listing fees to the Stock Exchanges have been paid by the Company.

Fixed Deposits:

The Company discontinued acceptance of fixed deposits effective from February 17, 2003. The Company also discontinued renewal of existing deposits with effect from July 2009. Liability on account of Fixed Deposits amounted to ₹ 5.80 lakhs (Previous year ₹ 8.30 lakhs) which includes 34 deposits amounting to ₹ 5.40 lakhs which remained unclaimed as on March 31, 2012 for want of instructions from the depositors.

Product up gradation and expansion:

The 180-room hotel in Coimbatore, Vivanta by Taj Surya, was commissioned during the year under review. The expansion block in Vivanta by Taj-Fisherman's Cove was also completed with the commissioning of the balance 14 rooms. A comprehensive renovation plan at Taj Coromandel has been under implementation for the past few years. The south Indian restaurant, Southern Spice has been recently renovated.

Donation:

Donations and contributions to social causes amounted to ₹ 15 lakhs during the year under report.

Directors:

In accordance with the provisions of the Companies Act, 1956 and the Articles of Association of the Company, Mr. R K Krishna Kumar, Mr. Pramod Ranjan and Mr. Arun Nanda, Directors, retire by rotation and being eligible have offered themselves for reappointment.

Directors' Responsibility Statement:

Pursuant to Section 217(2AA) of the Companies Act, 1956, the Directors based on the representations received from the Operating Management, confirm:-

- a. that in the preparation of the annual accounts, the applicable accounting standards have been followed and that there are no material departures;
- b. that they have selected such accounting policies and applied them consistently and made judgments and estimates that are reasonable and prudent so as to give a true and fair view of the state of affairs of the Company at the end of the financial year i.e. March 31, 2012 and of the profit of the Company for the year ended March 31, 2012;
- c. that they have taken proper and sufficient care to the best of their knowledge and ability for the maintenance of adequate accounting records in accordance with the provisions of the Act for safeguarding the assets of the Company and for preventing and detecting fraud and other irregularities; and
- d. that they have prepared the annual accounts on a going concern basis.

Auditors:

The Auditors Messrs. Brahmayya & Co., Chartered Accountants and Messrs. SNB Associates, Chartered Accountants, Chennai retire at the forthcoming Annual General Meeting and are eligible for reappointment.

FORTY SECOND ANNUAL REPORT 2011-12

DIRECTORS' REPORT

The Members are requested to re-appoint M/s. Brahmayya & Co., Chartered Accountants and SNB Associates, Chartered Accountants as Joint Statutory Auditors of the Company to hold office until the conclusion of the next Annual General Meeting of the Company and authorize the Board of Directors to fix their remuneration.

Energy conversion, Technology Transfer and Foreign Exchange Earnings and outgo:

The information required under Section 217(1)(e) of the Companies Act, 1956 read with Rule 2 of the Companies (Disclosure of Particulars in the Report of Board of Directors) Rules, 1988 is furnished hereunder :

- a. Electricity, furnace oil, diesel, petrol and cooking gas are purchased at the prevailing market rates from the Government Agencies at Chennai, Kochi, Trivandrum, Madurai, Coonoor, Coimbatore, Mangalore and Visakhapatnam. To meet its energy requirements, the Company has entered into a power purchase agreement for purchase of green power. As a step towards energy conservation, the Company had installed solar water heating systems at its hotels to reduce power consumption and also initiated several other measures including conduct of an Energy Audit. The recommendations for conservation of energy based on the Audit have been implemented in all the Company's hotel units so as to derive maximum benefit in terms of reduction in the consumption of energy and thereby reduce the power cost in the long run.
- b. The activity of the Company is not covered under the list of specified industries in the Schedule to the Rules as stated above.
- c. The details on foreign exchange earnings and outgo are furnished in Notes to Financial Statements (Refer Item Nos. 30, 31 and 32)

Particulars of employees:

The particulars of employees required to be furnished under section 217(2A) of the Companies Act, 1956, read with Companies (Particulars of Employees) Rules, 1975, forms part of this Report. However, as per the provisions of Section 219(1)(b)(iv) of the Companies Act, 1956, the reports and accounts are being sent to all the Shareholders of the Company excluding the statement of particulars of employees. Any Shareholder interested in obtaining a copy may write to the Company Secretary at the Corporate Office of the Company.

The Directors express their appreciation for the contribution made by all the employees of the Company who, through their unstinted cooperation have enabled the Company to achieve sustained operational performance during the year.

Corporate Governance:

As required by Clause 49 of the Listing Agreement with the Stock Exchanges, the report on Management Discussion and Analysis, Corporate Governance as well as the Auditor's certificate on the compliance of Corporate Governance, form part of the Annual Report.

Acknowledgements:

Your Directors thank the Company's clientele, vendors, investors and bankers for their continued support during the year.

For and on behalf of the Board of Directors

Place: Bengaluru

08.05.2012

R K Krishna Kumar

CHAIRMAN

MANAGEMENT DISCUSSION AND ANALYSIS

ANNEXURE TO THE DIRECTORS' REPORT**MANAGEMENT DISCUSSION AND ANALYSIS**

Your Company has been reporting consolidated financial results taking into account the results of its subsidiary, joint ventures and associates. This discussion, therefore, covers the financial results and other developments during April 2011 to March 2012. Some statements in this discussion describing the projections, estimates, expectations or outlook may be forward looking. Actual results may, however, differ materially from those stated on account of various factors such as changes in government regulations, tax regimes, and economic developments etc.

Indian Economy Overview

The resilience shown by the Indian economy in 2009-10 and 2010-11 gave way and there has been a significant slowdown in economic activities during 2011-12. India's GDP growth slipped to 6.9% in 2011-12. The economic slowdown has been in an inflationary environment, where the Reserve Bank of India has maintained tight monetary policy leading to high domestic interest rates. Commercial banks lending rates increased from 5.75% in April 2011 to 7.5% in March 2012. A year back in April 2010, it was only 3.5%. This environment of slowing growth, high inflation and high interest rates was a complete dampener for investor confidence. The global economic slowdown had created high levels of uncertainty, which has been a dampener for capital flows into India. Investment growth is likely to remain sluggish in 2012-13 as well.

The Economic Survey 2011-12, presented by the Finance Minister, predicts 7.6% GDP growth in 2012-13 and 8.6% in 2013-14. With agriculture and services continuing to perform well, the slowdown can be attributed almost entirely to weakening industrial growth. The services sector continues to be a star performer as its share in GDP has climbed from 58% in 2010-11 to 59% in 2011-12 with a growth rate of 9.4%. The industrial sector has performed poorly, retreating to a 27% share of the GDP. Overall growth during April-December 2011 reached 3.6% compared to 8.3% in the corresponding period of the previous year.

Service sector growth has remained healthy despite the slowdown in industrial growth in the first half year 2011-12 and is expected to support overall economic growth in 2012-13. Agricultural growth is expected to remain low in 2012-13 and investment growth will remain sluggish in the first half year 2012-13 given the slowdown in announcements of fresh projects and capacity enhancement in the recent months as well as the likely delay in commissioning projects in power sector. GDP growth is expected to remain around 6.9 to 7% in 2012-13. Headline inflation is unlikely to moderate substantially on account of revision of domestic prices of various fuel items. This would fuel inflationary pressures considerably, widen India's current account deficit and may prompt a depreciation of Indian Rupee. Despite the diversification of exports to newer geographies, the growth of Indian exports is likely to be subdued in the coming fiscal year. Developments in advanced economies would determine global liquidity conditions, risk aversion and business confidence, all of which may critically impact the level of financial flows into India as well as the Indian Rupee relative to other major currencies, both of which have undergone considerable volatility over the course of 2011-12.

Inflation as measured by the wholesale price index (WPI) was high during most of the year 2011/12. Monetary policy was tightened by the Reserve Bank of India (RBI) to control inflation and curb inflationary expectations. The year witnessed a sharp increase in interest rates that resulted in higher costs of borrowings; and other rising costs affecting profitability thereby impacting internal accruals that could be used to finance investment.

Despite the low growth figure of 6.9%, India remains one of the fastest growing economies of the world. The global economic environment which was tenuous at best throughout the year, turned sharply adverse in September, 2011, owing to the turmoil in the euro-zone countries and questions about others, reflected in sharp ratings downgrades of sovereign debt in most major advanced countries. While a large part of the reason for the

MANAGEMENT DISCUSSION AND ANALYSIS

slowing of the Indian economy can be attributed to global factors, domestic factors, such as tightening of monetary policy owing to high and persistent headline inflation and slowing investment and industrial activity also played a role. However, for the Indian economy, the outlook for growth and price stability looks more promising. There are signs that the weakness in economic activity has bottomed out and a gradual upswing is imminent. The Economic Survey expects the growth rate of real GDP to pick up to 7.6% in 2012-13 and faster beyond that.

According to the data released by the Department of Industrial Policy and Promotion (DIPP), India attracted FDI equity inflows of US\$ 2,211 million in February 2012. The cumulative amount of FDI equity inflows from April 2000 to February 2012 stood at US\$ 1,62,185 million. The total FDI equity inflows during April 11 – February 2012 period was US\$ 28,403 million which was 55% increase over the same period of the previous year.

The services sector comprising financial and non-financial services attracted 20 per cent of the total FDI equity inflow into India worth US\$ 5,059 million during April-February 2012. Foreign Institutional Investors had mostly stayed away from Indian equities in 2011. They flocked toward the debt market in 2011 with a net investment of Rs 20,293 crores, while pulling out Rs 2,812 crores from equities. Net FII inflows turned negative. The national indices BSE SENSEX and NSE S&P CNX NIFTY declined from 19811.40 and 5944.45 at the beginning of the year to 17008.77 and 5135.95 points respectively at the end of the year.

Tourism and Hospitality

The hotel industry in India thrives largely due to the growth in tourism and travel. Research and Markets in its report on 'Hotel Industry in India (2011-2015)' states that the Indian hospitality industry has emerged as one of the key industries driving growth of the services sector in India. The fortunes of the hospitality industry have always been linked to the prospects of the tourism industry and tourism is the foremost demand driver of the industry. The Indian hospitality industry has recorded healthy growth fuelled by robust inflow of foreign tourists as well as increased tourist movement within the country and it has become one of the leading players in the global industry.

An analysis of the drivers reveals the factors for growth of the market and includes growth in tourism, opening of the aviation sector, emergence of budget hotels, shortage of hotel rooms and major events. India being a land of rich natural diversity has consistently been on the tourists' radar and tourism has been on a growth trajectory. India is presently considered a provider of low cost medical treatments, which has led to the development of India as a destination for medical tourism. These factors have contributed to the growth of tourism which is a powerful driver for growth of the hotel sector. The opening up of the aviation sector has provided the needed thrust. Hotel industry in India market estimated to reach US\$ 30 billion by 2015.

The travel and tourism industry in India is changing dramatically and is transforming into one of the most challenging sector. Domestic travel spending for 2011 is expected to be US\$ 73 billion contributing over 83% of total revenues by the tourism sector. Foreign tourist arrivals (FTAs) in India during 2011 were 6.29 million with a growth rate of 8.9% as compared to 5.78 million in 2010 with a growth rate of 11.8% over 2009. The 8.9% growth rate is much better than UNWTO's projected growth rate of 4% to 5% for the world during the same period. Foreign Exchange Earnings from tourism in Rupee terms during 2011 were ₹ 77591 crores with a growth rate of 19.6% as compared to ₹ 64889 crores with a growth rate of 18.1% during 2010 over 2009. Despite a whole host of challenges over the past decade – from terrorist attacks and health scares to natural disasters – international travel and tourism demand has shown phenomenal growth.

WTTC's latest Economic Impact Research shows that world Travel & Tourism continues to grow in spite of continuing economic challenges. Despite progressive downgrades to growth forecasts through 2011, the industry grew by 3% over the course of the year (in terms of Travel & Tourism's contribution to

MANAGEMENT DISCUSSION AND ANALYSIS

GDP). Tourism's direct contribution to GDP in 2011 was US\$2 trillion and the industry generated 98 million jobs. Taking account of its direct, indirect and induced impacts, Travel & Tourism's total contribution in 2011 was US\$6.3 trillion in GDP, 255 million jobs, US\$743 billion in investment and US\$1.2 trillion in exports. This contribution represented 9% of GDP, 1 in 12 jobs, 5% of investment and 5% of exports. Growth forecasts for 2012, although lower than anticipated a year ago, are still positive at 2.8% in terms of the industry's contribution to GDP. Longer-term prospects are even more positive with annual growth forecast to be 4.2% over the ten years to 2022.

During the year gone by, the sector that contributes about 9 per cent to India's GDP saw the international hotel chains, including Las Vegas-based MGM Hospitality and UK's Whitbread and Best Western, expanding rapidly in the country. On the other hand, domestic hospitality firms such as Oberoi, ITC and Leelaventure were in the news more for board room actions, although they had their share of expansions, too. There was bad news for both consumers and companies both in the very beginning of the year as the government decided to impose service tax on food served at air-conditioned restaurants, and hotel rooms that charged above Rs 1,000.

Hotel occupancies in 2011 improved by about 4-5 per cent to touch an average of about 67 per cent but the average room rates were almost flat with an increase of 1-2 per cent, primarily due to over-supply of rooms. Except for a few cities like Bangalore and Delhi, many other cities have seen a decline in the overall performance. Part of this has been because of the pure business sentiments which plummeted in the past six months. The only silver-lining in the near future is that with rupee crashing by 20 per cent India suddenly is a much more affordable destination for foreign travellers. Also the big domestic market may choose to focus on India rather than overseas travel. However, given the current economic scenario in the Euro zone, it is not sure if inbound tourist inflow will remain the same going ahead. This was happening in a year when India decided to accelerate efforts to project itself as a tourist-friendly nation under the 'Incredible India'

The depreciating rupee against dollar burnt a bigger hole in the pockets of Indians travelling abroad as travel firms hiking charges to offset the impact. In 2011, there were also some changes at the corporate level for some of the India's leading hotel firms.

On the backdrop of these announcements, according to estimates of hospitality consulting firm HVS, India's hospitality industry is expected to touch a total room capacity of 1,02,438 by 2015-16, from the current capacity of around 71,530 rooms. In 2010-11, about 9,130 branded rooms were added in the country across segments.

According to industry observers outlook for 2012 sounded bearish as it may not be possible for the government to get out of the current slump and with various state governments going into election mode would have a further negative impact on business sentiments and travel. There is still a fair bit of new supply which will enter many of the Indian cities and this will continue to offer rate pressure on the hotels resulting in rates declining 5 - 10 percent across India and occupancy will be under pressure to hold on to 2011 levels in many of the markets.

Special Government initiatives:

- i. In order to give greater impetus to development and promotion of tourism through public private partnership, the Ministry has set up a National Tourism/Advisory Council to play its advisory role for the important aspects.
- ii. For promotion of MICE (Meetings, Incentives, Conventions and Exhibitions), the Ministry of Tourism has decided to provide assistance for construction of one convention centre at any well connected and accessible tourist destination in each State/Union Territory.
- iii. For opening up of destinations in inaccessible remote areas, the Ministry has decided to provide assistance for construction of heliports.

MANAGEMENT DISCUSSION AND ANALYSIS

- iv. The Ministry is taking initiatives for development of nationally and internationally important destinations and circuits through mega projects.
- v. The Ministry is focusing on development of infrastructure in the identified destinations and circuits all over the country. Under this scheme, new emerging areas like Rural Tourism, Heritage Tourism, Eco-Tourism are getting priority.
- vi. Under its Rural Tourism Scheme, Ministry of Tourism provides Central Financial Assistance (CFA) to them for activities involving development of rural tourism including propagation of the Gurukul process. So far, Ministry of Tourism has sanctioned CFA for tourism projects at 185 villages across the country. Development of rural tourism creates opportunities for livelihood and employment for the rural people, including youth, women and artisans.
- vii. The Ministry is continuing its efforts for providing assistance to tourism infrastructure in rural areas to ensure development of rural tourism products. The aim of this initiative is to ensure social and gender empowerment and greater decentralization for the tourism products in the country.
- viii. The Ministry of Tourism has advised the State Governments/Union Territory Administrations to follow tourism friendly policies like allotting land sites on revenue sharing basis, granting extra Floor Space Index (FSI)/Floor Area Ratio (FAR) for Hotels, Creation of Land Banks, Single Window approach for promoting Hotel Projects, Rationalization of Taxes etc., for the growth of tourism sector in the country.
- ix. To encourage the growth of hotels, the following incentives, inter alia, have been announced:
 - (i) Five Year Tax Holiday for 2, 3 & 4 star category new hotels located in all UNESCO declared 'World Heritage Sites;' (Except Mumbai and Delhi) which start operating between 01.04.2008 to 31.03.2013.
 - (ii) An investment linked deduction under Section 35 AD of the Income Tax Act extended for new hotels of 2-Star Category and above anywhere in India to facilitate the growth of tourist accommodation in the country.
 - (iii) The Reserve Bank of India (RBI) has de-linked credit for hotel projects from Commercial Real Estate (CRE), thereby enabling Hotel Projects to avail credit at relaxed norms and reduced interest rates.
 - (iv) External Commercial Borrowing (ECB) norms relaxed by the Ministry of Finance to solve the liquidity crunch being faced by the hotel industry for setting up new hotel projects.
- x. Foreign Direct Investment (FDI) is allowed for the development of tourism projects in the country. Hotel and Tourism sector is declared as high priority sector and FDI up to 100%, under the automatic route is permitted in 'Hotels & Tourism Sector', subject to applicable laws/regulations, security and other conditions.

Update on key initiatives of the Company:

Product up gradation:

The flagship of the Company, Taj Coromandel has undergone a comprehensive renovation. Renovation of 1st to 4th standard guestroom floors, F & B outlets at the hotel, lobby, reception and lounge, the entrance areas of the hotel including the entry driveway and porte cochere, a new swimming pool, retail shops, Chambers (cum Club Lounge) and a banquet hall at the lower lobby level are completed. The work on spa and renovation of

MANAGEMENT DISCUSSION AND ANALYSIS

ball room are underway and would get completed during the course of the current financial year. Product up gradation being a continuous process, renovation/up gradation of the other hotel units of the Company would be taken up during the coming years.

During the year under review, the hotel at Coimbatore, Vivanta by Taj Surya was commissioned and the hotel is being well received by the guests.

Your Company continues in its quest for excellence by constant enhancement of the Guest experience through improved service levels and product upgrades.

H R Initiatives

Your Company undertakes several initiatives to develop the competencies of our associates. The Associates in your Company are provided continuous training inputs through Learning and Development Managers. The focus on improving and delivering high quality service is an ongoing process.

Year of the Associate program aimed at creating a vibrant and highly engaged work force rolled out since 2008/09 has been a key driver for maintaining and enhancing engagement levels in an environment of economic downturn.

During the year, the HR initiatives were focused on maintaining cost and productivity efficiencies in view of the economic downturn and slowdown in business. There was a sustained effort on building engagement within the workforce coupled with initiatives to address workforce cost and productivity.

Continuing from the previous year, the effort to minimize new hirings has continued in the current year and has resulted in controlling increase in overall workforce strength.

YOA+ initiatives introduced during the previous year aimed at enhancing the quality of our employees' lives - at work and beyond are focused more on long - term outcomes that directly impact our associates like the education of their children, becoming computer literate, etc. YOA+ is a promise made by the company that year on year, our employees and their well being are of primary importance. This initiative aims to encourage our employees' children to study hard and earn good grades in school by paying for the subsequent year's education if the child has come first amongst children of the employees of the hotel in his/her age group.

Business Performance

Management Discussion and Analysis of Operating Results and Financial Position

The Annual Report contains Financial Statements of your Company, both on a stand-alone and consolidated basis. An analysis of the financial affairs is discussed below under summarized headings.

Results of Operations for the year ended March 31, 2012

Revenues:

The summary of total income is provided in the table below:

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₹ lakhs

Particulars	Year ended		% of change
	31-Mar-12	31-Mar-11	
Room Income	13688	12229	12%
Food & Beverage Income	10740	9788	10%
Other Operating Income	1729	1473	17%
Management Fees	388	308	26%
Other Income	476	106	349%
Total Income	27021	23904	13%
Statistical information			
Average Room Rate (Rupees)	6314	5916	7%
Occupancy (%)	64	68	-6% pts

Overall revenues increased by 13%. The occupancy for the current period has declined from 68% to 64% and the ARR has increased by 7% to ₹ 6314 from ₹ 5916. Higher room income is also due to additional income from Coimbatore totaling to ₹ 297 lakhs.

Room revenues at ₹ 13688 lakhs increased by 12% while the Food and Beverage Income at ₹ 10740 lakhs increased by 10% over the previous year.

Other Operating Income, representing the income from allied services i.e., Telephone, Laundry, Banquet Misc., Business Centre and exchange fluctuation gain has increased by 17% to ₹ 1729 lakhs.

Management fee for the period is ₹ 388 lakhs which represents the management fee earned from TAL Hotels and Resorts Ltd. which has increased by ₹ 80 lakhs due to buoyant growth in business in hotels in Maldives.

Other Income which includes mainly the dividend and interest on Investment has increased by ₹ 370 lakhs or 349% over the previous year. This is mainly due to Dividend income received from OHL International (HK) Limited to the tune of ₹ 306 lakhs in the previous year.

Expenditure:

Total expenditure is higher by ₹ 3465 Lakhs. This increase is 19% when compared to the corresponding period of the previous year. The main reason for such a major variation is due to full impact of Coimbatore expense of ₹ 1283 lakhs

Earnings before Interest Depreciation Tax and Amortisation (EBIDTA):

The gross profit of ₹ 5771 lakhs for the current financial year has declined by 6% as compared to ₹ 6119 lakhs for the previous year.

Interest costs:

Interest cost was higher at ₹ 1935 lakhs for the year ended March 31, 2012 as compared to ₹ 1370 lakhs in the previous year consequent to increased Borrowings to meet construction of Coimbatore property, expansion of Fisherman's Cove and renovation activities of Taj Coromandel.

Profit before Tax:

Profit before tax at ₹ 1881 lakhs was lower by 41% as compared to ₹ 3206 lakhs in 2010-11. The Company is taking the benefit under section 35AD of the Income Tax Act on the capital expenditure incurred on Coimbatore hotel and consequently the Company has deferred tax to future years after payment of Minimum Alternate Tax (MAT).

ORIENTAL HOTELS LIMITED

MANAGEMENT DISCUSSION AND ANALYSIS

Profit After tax:

Profit after tax for 2011/12 declined by 43% to ₹ 1263 lakhs. Provision for taxation is ₹ 617.76 lakhs after considering deferred tax of ₹ 383.26 lakhs.

Cash flow data:

₹ In lakhs

Particulars	Year ended	
	March 31, 2012	March 31, 2011
Net cash from operating activities	6145	4448
Net cash used for investing activities	(7540)	(3777)
Net cash from financing activities	2155	(844)
Net increase in cash and cash equivalents	760	(173)

Consolidated Financial Results:

Your Company has consolidated its financial statements with those of its subsidiary, joint ventures and Associates (together referred to as Group Companies or Group) in accordance with the relevant Accounting Standards, viz. AS 21, AS 23 and AS 27. The consolidated statements include the financial position of Subsidiary on line by line basis, jointly controlled entities on a line by line basis to the extent of proportionate holding and Associates by a one line consolidation of share of profit after tax.

₹ lakhs

Particulars	2011/12	2010/11
Total Income	32742	26286
Total Expenses	24796	20669
Gross Profit	7946	7617
Less :		
Interest	2225	1535
Depreciation	2493	2103
Profit before Tax	3228	3979
Provision for taxation	889	1003
Profit after Tax before Minority Interest	2339	2976
Less: Minority Interest	90	59
Profit after tax after Minority Interest	2249	2917

Cash flow data:

₹ In lakhs

Particulars	Year ended	
	March 31, 2012	March 31, 2011
Net cash from operating activities	7157	5656
Net cash used for investing activities	(6549)	(5279)
Net cash from financing activities	594	(224)
Net increase in cash and cash equivalents	1201	152

MANAGEMENT DISCUSSION AND ANALYSIS

Risk factors : Risk and Concerns –Industry Risk

General economic conditions:

As is typical in the hotel industry, your Company faces the risks from socio-political environment from both natural and political factors. Natural calamities, international political conflicts, cross border terrorism which affect the travel affects the business. The hotel sector is also unfavourably affected by factors such as changes in the global and domestic economies, local market conditions, excess hotel supply or reduced international or local demand for hotel rooms and associated services, competition in the industry, changes in interest rates, the availability of finance and other natural and social factors. Since demand for hotels is affected by world economic growth, a global recession could lead to a downturn in the hotel industry.

Risks associated with the company

Company Specific Risks

The Company specific risks remain by and large the same as enumerated last year. These are:

Heavy Dependence on India: Your Company earns its revenues only from Indian operations, making it susceptible to domestic socio-political and economic conditions.

Risk of wage inflation: The hotel industry needs employees with aptitude and skills and with demand for the same improving across the industry, the Company is of the opinion that wage inflation is a critical factor in determining costs for the Company. Thus, your Company will continue to focus on improving manpower efficiencies and creating a lean organisation, while maximizing effectiveness in terms of customer service and satisfaction, as an area of great importance for the management of your Company.

Client Concentration: Your Company provides its services to 7 broad market segments, namely - Corporate/Business, Leisure, Longstayers, Groups, Conferences, Crew, Events and Packages. The Company does not face any significant risk since there is no excessive concentration of business with any single client segment.

Risk mitigation initiatives:

To successfully counter the risk from growing competition and new properties, your Company is renovating and repositioning its properties and improving its service standards.

Internal control systems and their adequacy

Corporate governance being an area of continuous focus, internal controls and its effectiveness are being reviewed through the internal audit process. Internal audits were being undertaken for every operational Unit and all major corporate functions under the direction of the Group Internal Audit department. The thrust of the reviews were as follows:

- Identify weaknesses and areas of improvement.
- Management of Business and operational risks
- Safeguarding tangible and intangible assets
- Compliance with defined policies and processes.
- Compliance with applicable statutes.
- Compliance with the Tata Code of Conduct.

MANAGEMENT DISCUSSION AND ANALYSIS

The “Taj Positive Assurance Model”, a risk and control based methodology was used to identify focus areas, develop a process framework with a scoring matrix and institutionalise the audit process.

The Audit Committee of the Board has reviewed the adequacy of the internal control environment through continuous review of the audit findings and monitoring the implementation of the Internal Audit recommendations through the compliance reports submitted by the management.

As in the earlier years, the Company continued its practice of implementing the ethical standards as defined in the Tata Code of Conduct.

Limitations of Financial Systems**Contingent liabilities**

The accounting standard definition of a contingent liability is as follows:

A possible obligation that arises from past events and whose existence will be confirmed only by the occurrence of one or more uncertain future events not wholly within the entity’s control; or

A present obligation that arises from past events but is not recognised because it is not probable that a transfer of economic benefits will be required to settle the obligation; or

The amount of the obligation cannot be measured with sufficient reliability.

A loss contingency is an existing condition, situation, or set of circumstances that involves uncertainty as to possible loss that will be resolved when one or more future events occur or fail to occur. Potential loss refers to contingent liabilities in which there is substantial and material risk of loss to the organisation.

Your Company’s Contingent Liabilities pertain primarily to corporate guarantee provided and taxation matters.

Human Resources and Industrial Relations

The manpower employed by the Company for the year 2011/12 included executives, bargainable staff, probationers, apprentices and contract employees.

Employee Satisfaction Surveys are being conducted with the help of an external agency, where your Company seeks regular feedback from its employees to ascertain their levels of satisfaction and to ensure that employees’ morale and motivation are constantly improved. Critical human resource issues are analysed, corrective action initiated and results monitored regularly.

The Company’s mission is to achieve and sustain leadership in the Hospitality industry and to deliver value to its customers by rewarding and recognizing quality customer care based upon individual and team performance. The Company provides opportunities for continuous learning and development and abides by fair policies to ensure the well beings of its employees, their family, the community and the environment.

Industrial relations throughout the year were cordial at all hotels and operating units of your Company. Period wage settlement agreements were entered into with Staff representatives and Unions at various locations.

CAUTIONARY STATEMENT

Statements in the Management Discussion and Analysis describing the Company’s objectives, projections, estimates and expectations may be ‘forward looking statements’ within the meaning of applicable securities laws and regulations. As ‘forward looking statements’ are based on certain assumptions and expectations of future events over which the Company exercises no control, the Company cannot guarantee their accuracy nor can it warrant that the same will be realised by the Company. Actual results could differ materially from those

MANAGEMENT DISCUSSION AND ANALYSIS

expressed or implied. Significant factors that could make a difference to the Company's operations include domestic and international economic conditions affecting demand, supply and price conditions in the hospitality industry, changes in government regulations, tax regimes and other statutes.

OUR VISION AND VALUES	
VISION	<p>“To lead and become the international benchmark in the hospitality industry, in India and in key regions of the world.</p> <p>To dazzle and delight the customer with the highest quality of hotel products, F & B experiences, and above all, exceptional service standards.”</p>
TAJ CORE VALUES	<p>Courage</p> <p>Excellence</p> <p>INtegrity</p> <p>Team Work</p> <p>Respect & concern for others, Reliability</p> <p>Environment & Society concern</p>

ANNEXURE TO THE DIRECTORS' REPORT**REPORT ON CORPORATE GOVERNANCE****Philosophy on Corporate Governance:**

Corporate governance is an internal system encompassing policies, processes and people which serves the needs of shareholders and other stakeholders, by directing and controlling management activities with good business savvy, objectivity, accountability and integrity. Sound corporate Governance is reliant on external marketplace commitment and legislation, plus a healthy board culture which safeguards policies and processes.

The perceived quality of a company's corporate governance can influence its share price as well as the cost of raising capital. It is a system of structuring, operating and controlling a company with a view to achieve long term strategic goals to satisfy shareholders, creditors, employees, customers and suppliers and complying with the legal and regulatory requirements, apart from meeting environmental and local community needs. Corporate governance also includes the relationships among the many stakeholders involved and the goals for which the corporation is governed.

Good corporate governance is a tool for socio economic development. It is the responsibility of the Board of Directors who plays a key role in corporate governance to endorse the organization's strategy, develop directional policy, appoint, supervise and remunerate senior executives and to ensure accountability of the organization to its owners and authorities.

The Board of Directors of the Company believes in and fully supports the principles of Corporate Governance. The company has been implementing the best practices of Corporate Governance in order to attain total transparency, accountability and integrity. The Company follows the business principles and ethics in all its dealings while striving to achieve the financial targets. It has adopted a Code of Conduct for its employees, Executive and Non Executive Directors including the Managing Director. These Codes are posted on the Company's website. The philosophy of the Company's Corporate Governance has been strengthened through Tata Business Excellence Model, Code of Conduct for Prevention of Insider Trading and the Code of Corporate Disclosure Practices.

Your Company has also complied with requirements of Stock Exchange Regulations and the provisions of the Listing Agreement with the Stock Exchanges, which deals with the compliance of Corporate Governance requirements. The same are detailed below:

Board of Directors

- i. As on March 31, 2012, the Company has twelve (12) Directors with a Non-Executive Chairman. Of the twelve Directors, eleven (11) are Non-Executive Directors with six (6) of them being independent Directors who are experts in diverse fields.
- ii. The day to day management of the Company is conducted by the Managing Director subject to the supervision and control of the Board of Directors. The details of Directors seeking appointment/re-appointment have been attached to the Notice of the Annual General Meeting.
- iii. "Independent Directors", i.e. Directors who apart from receiving Directors remuneration, do not have any other material pecuniary relationship or transactions with the Company, its promoters, its management or its subsidiaries, which in the judgment of the Board, may affect the independence of judgment of the Director, comprise one half of the Board.
- iv. None of the Directors of the Board is a member of more than 10 Committees or Chairman of more than 5 Committees across all the companies in which he is a Director. Committee Memberships considered are only those as required under Clause 49 of the Listing Agreement (Corporate

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Governance), i.e. the Audit Committee and the Shareholders'/Investors' Grievance Committee. Necessary disclosures regarding Committee positions in other public companies have been made by the Directors.

- v. The names and categories of Directors on the Board, their attendance at Board Meetings held during the year and the number of Directorships and Committee Chairmanships / Memberships held by them in other Companies are given herein below. Other Directorships include alternate directorships, directorships of private limited companies and companies incorporated outside India. Chairmanship / Membership of Board Committees include only Audit and Shareholders' / Investors' Grievance Committees.

Name of the Director	Category	No. of Board meetings attended during 2011/12	Whether attended last AGM on July 28, 2011	No. of other Directorships held in other companies		No. of Committee positions held in other Public companies	
				Indian	Foreign	Chairman	Member
Mr. R K Krishna Kumar Chairman	Non-independent Non-Executive	3	-	14	11	1	2
Mr. D Varada Reddy Managing Director	Promoter Executive	4	√	1	3	--	--
Mr. S B P V Ramamohana Rao	Independent Non-Executive	4	√	1	--	--	--
Dr. G Sundaram	Independent Non-Executive	4	√	--	1	--	--
Mr. Raymond N Bickson	Non-independent Non-Executive	3	√	12	7	2	4
Mr. .D Vijayagopal Reddy	Promoter Non- Executive	4	√	4	--	--	--
Mr. S Y Syed Meeran	Independent Non- Executive	4	√	4	1	--	--
Mr. Pramod Ranjan	Promoter Non Executive	4	√	10	--	--	--
Mr. D R Kaarthikeyan	Independent Non-Executive	4	√	10	1	--	4
Diwan Arun Nanda	Independent Non-Executive	1	-	9	1	1	1
Mr. Venu Srinivasan	Independent Non-Executive	-	-	13	-	1	3
Mr. Ramesh D Hariani	Non-independent Non-Executive	4	√	9		-	

CORPORATE GOVERNANCE

- vi. During the year under review, the Board of Directors of the Company met four (4) times and the gap between two meetings did not exceed four months. The dates of the Board meetings held during each quarter are as follows:

No.	Date of Meeting	For the Quarter
1.	May 13, 2011	April to June
2.	July 28, 2011	July to September
3.	October 24, 2011	October to December
4.	January 19, 2012	January to March

- vii. Information as mentioned in Annexure IA to Clause 49 of the Listing Agreement with the Stock Exchanges is placed before the Board from time to time.
- viii. All the relevant information, as recommended by the Securities and Exchange Board of India (SEBI)/Stock Exchanges is promptly furnished to the Board from time to time in a structured manner.
- ix. All fees/compensation, paid to Non-Executive Directors including Independent Directors are fixed by the Board of Directors subject to the applicable provisions of the Companies Act, 1956. The Members, at the Annual General Meeting held on July 31, 2008, had approved the payment of remuneration to Non-Executive Directors (other than the Managing /Whole-time Directors), subject to the ceiling of 1% of the net profits of the Company as computed under the provisions of Section 309(4) of the Companies Act, 1956, for a period of five years from April 1, 2008 to March 31, 2013.

In addition to Commission, Non-Executive Directors are being paid sitting fees for attending Board/Committee meetings and such fees is within the limits prescribed under the Companies Act, 1956.

- x. There has been no materially significant related party transaction or relationships between the Company and its Directors for the year ended March 31, 2012 that may have a potential conflict with the interests of the Company at large, other than transactions entered into in the normal course of business.
- xi. The Company has adopted a Code of Conduct for all Board Members and senior management of the Company. The Code of Conduct has been posted on the website of the Company.
- xii. All the Directors and senior management personnel have affirmed compliance with the Code of Conduct/Ethics as approved and adopted by the Board of Directors. A declaration to that effect signed by the Managing Director forms part of the Annual Report of the Company.

Committees of the Board:

The Committees constituted by the Board of Directors of the Company are as under:

A. Audit Committee:

- i. The Audit Committee of the Company is constituted in line with the provisions of Clause 49 of the listing Agreements with the Stock Exchanges and the provisions of Section 292A of the Companies Act, 1956.
- ii. The Audit Committee comprises of five (5) Members including three (3) independent Non-Executive Directors. All the Members of the Committee have the relevant experience in the field of finance.

- iii. The Chairman of the Audit Committee is an Independent Director and he was present at the last Annual General Meeting held on July 28, 2011.
- iv. Audit Committee meetings are attended by invitation, by the Statutory Auditors, Internal Auditors, Director - Operations and the General Manager - Finance of the Company. The Operations Heads are invited to the meetings as required.
- v. The Company Secretary acts as the Secretary to the Audit Committee.

1. Meeting of Audit Committee

- i. Four (4) Audit Committee meetings were held during the year. The composition of the Audit Committee and details of meetings attended by Members of the Audit Committee are given below. Necessary quorum was present for all the meetings.

Members	Category	Attendance at Meetings held on			
		13.05.11	28.07.11	24.10.11	19.01.12
Dr. G Sundaram - Chairman	Independent	√	√	√	√
Mr. SBPV Ramamohana Rao	Independent	√	√	√	√
Mr. Raymond N Bickson	Non-Independent	-	√	√	√
Mr. D R Kaarthikeyan	Independent	√	√	√	√
Mr. D Varada Reddy	Non-Independent	√	√	√	√

2. Powers of Audit Committee

The audit committee shall have powers, which should include the following:

- i. To investigate any activity within its terms of reference.
- ii. To seek information from any employee.
- iii. To obtain outside legal or other professional advice.
- iv. To secure attendance of outsiders with relevant expertise, if it considers necessary.

3. Role of Audit Committee:

The role of the audit committee includes the following:

- Overview of the Company's financial reporting process and the disclosure of its financial information to ensure that the financial statements are correct, sufficient and credible.
- Recommending to the Board, the appointment and removal of the statutory auditors, fixation of audit fees and approval for payment for any other services.
- Reviewing, with the management, the annual financial statements before submission to the Board for approval, with particular reference to:
 - Matters required to be included in the Directors' Responsibility Statement to be included in the Board's report in terms of clause (2AA) of Section 217 of the Companies Act, 1956.
 - Changes, if any, in accounting policies and practices and reasons for the same.
 - Major accounting entries involving estimates based on the exercise of judgment by management.
 - Significant adjustments made in the financial statements arising out of audit findings.
 - Compliance with Accounting Standards.

- Compliance with listing and other legal requirements relating to financial statements.
- The Going concern assumption.
- Disclosure of any related party transactions i.e. the transactions of the Company of material nature, with Promoters or the Management, their subsidiaries or relatives etc. that may have potential conflict with the interests of the Company at large.
- Qualifications in the draft audit report.
- Reviewing, with the management,
 - the quarterly financial statements before submission to the Board for approval
 - the performance of statutory and internal auditors, adequacy of the internal control systems.
 - the adequacy of internal audit function, if any, including the structure of the internal audit department, staffing and seniority of the official heading the department, reporting structure coverage and frequency of internal audit.
- Discussion with internal auditors on any significant findings and follow up there on.
- Reviewing the findings of any internal investigations by the internal auditors into matters where there is suspected fraud or irregularity or a failure of internal control systems of a material nature and reporting the matter to the Board.
- Discussion with statutory auditors before the audit commences, about the nature and scope of audit as well as post audit discussion to ascertain any area of concern.
- Reviewing the Company's financial and risk management policies.
- To look into the reasons for substantial defaults in the payment to the depositors, debenture holders, shareholders (in case of nonpayment of declared dividends) and creditors.
- To review the functioning of the Whistle Blower mechanism.
- Approve the appointment of the Chief Financial Officer after assessing the qualifications, experience and background of the candidate before the appointment is finalized by the management.
- Carrying out any other function as is mentioned in the terms of reference of the Audit Committee.

4. Review of information:

The Audit Committee also reviews the following information:

- Management discussion and analysis of financial condition and results of operations;
- Statement of significant related party transactions submitted by management;
- Management letters / letters of internal control weaknesses issued by the statutory auditors;
- Internal audit reports relating to internal control weaknesses; and
- The appointment, removal and terms of remuneration of the Internal Auditors.

B. Shareholders'/Investors' Grievance Committee

The Shareholders'/Investors' Grievance Committee has the required powers to carry out the handling of shareholders'/investors' grievances. The brief term of references of the Committee include redressing of complaints of shareholders and investors relating to transfer of shares, non-receipt of Annual Report, dividends etc.

- i. The Chairman of the Committee is an independent non-executive Director.
- ii. The Committee met once during the year on January 19, 2012.

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CORPORATE GOVERNANCE

- iii. The composition of the Committee and the attendance of Members of the Committee at the meetings are given below:

Members	Category	Attendance at Meeting held on January 19, 2012
Dr. G Sundaram, Chairman	Independent	√
Mr. S B P V Ramamohana Rao	Independent	√
Mr. D R Kaarthikeyan	Independent	√
Mr. D Varada Reddy	Managing Director	√

- iv. Barring cases pending in Court relating to disputes over the title to shares, in which the Company has been included as a party, all the complaints from investors have been resolved to the satisfaction of the investors. The Company attends to the investor grievances/ correspondence within a period of 15 days from the date of receipt.
- v. The Company has received communication from the shareholders during the period April 2011 to March 2012 regarding non receipt of annual reports, dividend, share certificates after transfer and transmission which were suitably replied/resolved to the satisfaction of the shareholders. Apart from the above, there was a complaint filed by a shareholder with SEBI, which was also resolved to the satisfaction of the shareholder.

Complaints outstanding at the beginning of the year	Complaints received during the year	Complaints Disposed off during the year	Complaints unresolved at the end of the year
Nil	1	1	Nil

Amounts transferred to IEPF

As per the provisions of Section 205A read with Section 205C of the Companies Act, 1956, the Company is required to transfer dividends and matured deposits that remain unclaimed for a period of seven years from the date of declaration and from the due date for repayment respectively, to the Investor Education and Protection Fund (IEPF) established and administered by the Government of India.

The table below gives the dates of dividend declaration since 2003/04 and the proposed dates for transfer of the unclaimed dividends to the Investor Education and Protection Fund.

Financial Year	Date of Declaration of dividend	Proposed date for transfer to IEPF *
2004/05	July 26, 2005	August 24, 2012
2005/06	July 31, 2006	August 29, 2013
2006/07	August 29, 2007	September 27, 2014
2007/08	July 31, 2008	August 29, 2015
2008/09	July 23, 2009	August 21, 2016
2009/10	July 27, 2010	August 25, 2017
2010/11	July 28, 2011	August 26, 2018

* Indicative dates, actual dates may vary

CORPORATE GOVERNANCE

Since no claims will lie against the Company nor the IEPF in respect of the said unclaimed amounts transferred to the Fund, those share holders who have not claimed their dividends so far, are requested to claim the same from the Company before the due date for transfer of such unclaimed dividends as detailed above:

During the year, the Company made renewed attempts to establish contact with those Members/depositors who have not claimed the dividend/matured deposits. Individual communication was sent to all those Members and in response, the Company was able to arrange payment of a sum of ₹ 2.92 lakhs of unclaimed dividend to 345 shareholders as against ₹ 1.98 lakhs claimed by 332 shareholders during the previous year. Despite this the Company was statutorily required to transfer the following amounts to IEPF of the Central Government as detailed below:

Amounts transferred to IEPF:

Particulars	₹
Amounts transferred to IEPF up to March 31, 2011 (a)	28,98,583
Amounts transferred during the financial year 2011/12: - Unpaid/unclaimed dividend with the Company Div.03-04	2,59,168
Total (b)	2,59,168
Amounts transferred to IEPF up to March 31, 2012 (a) + (b)	31,57,751

Contact details of the Compliance Officer:

Mrs. T S Sundarambal,
Company Secretary
Oriental Hotels Limited
Paramount Plaza – II Floor
47 Mahatma Gandhi Road, CHENNAI 600 034
Phone : (044) 28222827 Extn. 6223 Fax : (044) 28254447
Email id designated for investor complaints: ohlshares.mad@tajhotels.com

3. Share Transfer Committee:

The Company has a Share Transfer Committee. The following Directors are the members of the said Committee:

1.	Mr. S B P V Ramamohana Rao	Director
2.	Mr. D Vijayagopal Reddy	Director
3.	Mr. Pramod Ranjan	Director
4.	Mr. D Varada Reddy	Managing Director

The Committee deals with matters relating to share transfer/transmission, issue of duplicate/consolidated/split/remat share certificates, review of shares dematerialized and all other related matters. Share transfers/transmissions etc. are processed every 15- days depending on the requests received and the share certificates are returned to those who lodged for transfers within a month from the date of receipt. The total number of equity shares transferred (physical form) during 2011/12 were 1,00,370 as compared to 30,759 in 2010/11.

Equity Shares in the Suspense Account

In terms of Clause 5A(II) of the Listing Agreement, the Company has dematerialised and transferred 29,32,780 equity shares of the Company issued in physical form to 1,579 shareholders and remaining unclaimed, to the 'Oriental Hotels Limited - Unclaimed Suspense Account'. No shares were transferred from the suspense account to the shareholders' accounts, during the year. The voting rights on the shares outstanding in the suspense account shall remain frozen till the rightful owner of such shares claims the shares.

The Members are requested to claim the shares by submitting the required documents either to the Company or to the Registrar and Transfer Agents. All corporate benefits in terms of securities accruing on such shares viz. bonus shares, split etc. shall also be credited to such Unclaimed Suspense Account. The Unclaimed Suspense Account shall be held by the company purely on behalf of the allottees who are entitled for the shares and the shares held in such suspense account shall not be transferred in any manner whatsoever except for the purpose of allotting the shares to the allottee as and when he/she approaches the company.

All share transfers lodged up to March 31, 2012 have been processed and as on March 31, 2012 there were no Equity shares pending for transfer and no complaints are pending against the Company.

4. Remuneration Committee:

The Listing Agreement with the Stock Exchanges provides that a Company may appoint a Committee for recommending managerial remuneration payable to the Directors. The Company has in place a Remuneration Committee for the said purpose.

- i. The Remuneration Committee constituted as per the requirements of the Listing Agreement, determines the remuneration payable to the Managing Director, with agreed terms of reference and reviews the Company's policy on specific remuneration packages for Managing Director which may include pension rights and compensation payments, on behalf of the Board of Directors and the shareholders of the Company.
- ii. The Chairman of the Remuneration Committee was present at the last Annual General Meeting of the Company. The composition of the Remuneration Committee and particulars of meetings attended by Members of the Committee are as under:

Members	Category	Attendance at Meeting held on 13.05.2011
Dr. G Sundaram – Chairman	Independent	Yes
Mr. SBPV Ramamohana Rao	Independent	Yes
Mr. R K Krishna Kumar	Non-Independent	Yes
Mr. D R Kaarthikeyan	Independent	Yes

5. Remuneration Policy:

The Remuneration of the Managing Director is recommended by the Remuneration Committee based on factors such as industry benchmarks, the Company's performance vis-à-vis the industry, performance / track record of the Managing Director etc. which is decided by the Board of Directors. Remuneration comprises a fixed component, viz. salary, perquisites and allowances and a variable component viz. commission.

The Remuneration Committee also recommends the annual increments within the salary scale approved by the Members as also the commission payable to the Managing Director on determination of profits for the financial year, within the ceiling on net profits prescribed under Sections 198 and 309 of the Companies Act, 1956.

ORIENTAL HOTELS LIMITED

CORPORATE GOVERNANCE

Remuneration to Mr. D Varada Reddy, Managing Director:

₹ lakhs

Salary and Perquisites	61.27
Contribution to Provident Fund and Gratuity Fund & Leave Encashment	13.53
Commission payable for 2011/12	26.00
Total	100.80

Service Contract and Notice Period of the Managing Director:

Mr. D Varada Reddy's contract as a Managing Director is for a period of 5 years, commencing from November 11, 2010 up to and including November 10, 2015, terminable by 6-months notice on either side. The Company has no scheme for stock options. There is no separate provision for payment of severance fees to the Managing Director.

Details of shares of the Company held by Directors as on March 31, 2012

No.	Name of the Director	No. of shares held
1.	Mr. S B P V Ramamohana Rao	6,750
2.	Mr. D Vijayagopal Reddy	15,02,070
3.	Mr. S Y Syed Meeran	10,500
4.	Mr. Pramod Ranjan	29,27,660
5.	Mr. Ramesh D Hariani	11,30,710
6.	Mr. D Varada Reddy - Managing Director	64,51,772

Remuneration to Non-Executive Directors:

The remuneration drawn by the Non-Whole-time Directors is in the form of commission distributed out of the net profits of the Company subject to a maximum of 1%. The commission payable to Non-Executive Directors is decided by the Board and distributed based on a number of factors, including number of Board and Committee meetings attended, individual contribution thereat etc. The Directors are also paid sitting fees in respect of the Board/Committee meetings attended by them.

Remuneration to Non-Executive Directors for the year ended March 31, 2012:

₹ lakhs

Name of the Director	Sitting fees	Commission paid for 2010/11	Total
Mr. R K Krishna Kumar	0.40	3.58	3.98
Mr. S B P V Ramamohana Rao	1.10	3.40	4.50
Dr. G Sundaram	1.10	5.14	6.24
Mr. Raymond N Bickson	--	2.34	2.34
Mr. D Vijayagopal Reddy	0.50	2.42	2.92
Mr. S Y Syed Meeran	0.40	2.42	2.82
Mr. Pramod Ranjan	0.50	2.42	2.92
Mr. D R Kaarthikeyan	1.00	4.37	5.37
Mr. Diwan Arun Nanda	0.10	1.37	1.47
Mr. Venu Srinivasan	--	0.74	0.74
Mr. Ramesh D Hariani	0.40	1.94	2.34
Mr. Anil P Goel	--	0.97	0.97

The Company has no scheme for stock options.

Other Committees of the Board:

i. The Board has constituted an Approval Committee consisting of the following Directors as its Members.

Mr. Raymond N Bickson	Director
Mr. D Vijayagopal Reddy	Director
Mr. S B P V Ramamohana Rao	Director
Mr. D Varada Reddy	Managing Director

The powers to place/accept/renew inter-corporate Deposits, with companies within the specified limits approved by the Board, to approve regular banking arrangements, avail short term / temporary borrowings, appointment of trustees for the company's Gratuity Fund, approval of signatories for operating bank accounts, depository accounts, safe deposit lockers, opening/closure of bank accounts have been delegated to this Committee.

ii. Ethics Committee:

The Board has constituted an Ethics Committee with the terms of reference to the following:

- Set forth the policies relating to and oversee the implementation of the Code of Conduct of the Company.
- Consider matters relating to the Insider trading Code
- Take on record the status reports prepared by the Compliance Officer detailing the dealings in securities by the Specified persons
- Decide penal action in respect of violation of the Regulations/the Code by any specified person.

Dr. G Sundaram and Mr. D Varada Reddy are the members of the Ethics Committee. The Committee met on January 19, 2012.

IV. Subsidiary Company:

The Company does not have any material unlisted subsidiary and is not required to have an Independent Director of the Company on the Board of such Subsidiary. The financial statements including the investments made by the Company's wholly owned subsidiary, OHL International (HK) Limited were reviewed by the Audit Committee. The Minutes of the Board meetings of the Subsidiary Company are periodically placed before and reviewed by the Board of Directors of the Company.

V. Details of General Body Meetings:

Location, date and time of the Annual General Meetings held during the last 3 years are given below:

Location	Date & Time	Special Resolution passed
Narada Gana Sabha, Chennai 600 018	July 23, 2009 at 3.00 p.m	
Narada Gana Sabha, Chennai 600 018	July 27, 2010 at 2.30 p.m.	Reappointment of Mr. D Varada Reddy as Managing Director
Narada Gana Sabha Chennai 600018	July 28, 2011 at 2.45 p.m.	

CORPORATE GOVERNANCE

All special resolutions passed in the previous Annual General Meetings of the Company were unanimously passed by a show of hands by the Members of the Company present and voting at the said meetings.

No extra-ordinary General Meeting of the Members was held during the year.

VI. Postal Ballot:

The Company had successfully completed the process of obtaining the approval of the Members vide Postal Ballot on the following resolutions during the year.

- a. Ordinary resolution under Section 293(1)(d) read with Section 192A of the Companies Act 1956 for increasing the borrowing powers of the Board from ₹ 350 crores to ₹ 600 crores
- b. Ordinary resolution under Section 293(1)(a) read with Section 192A of the Companies Act 1956 for creation of charge on the assets of the Company to secure the borrowings of the Company up to ₹ 600 crores.

M/s S Srinivasan & Co., Company Secretaries were appointed as the Scrutinizers, who carried out the Postal Ballot process in a fair and transparent manner.

The results of the postal ballot were announced on December 22, 2011 by the Managing Director at the Company's Corporate Office: Paramount Plaza - II Floor, No. 47, Mahatma Gandhi Road, Nungambakkam, Chennai : 600 034 as per the Scrutinizer's Report as under:

Particulars	Resolution u/s 293(1)(d)		Resolution u/s 293(1)(a)	
	No. of Shares	% to the total votes received	No. of Shares	% to the total votes received
Valid Votes Received	81256670	100.00	81257781	100.00
Votes in favour of the Resolution	81163600	99.89	81156231	99.88
Votes against the Resolution	68140	0.08	76461	0.09
Invalid Votes	24930	0.03	25089	0.03

Accordingly, the ordinary Resolutions set out in the Notice dated October 24, 2011 was duly approved by the requisite majority of Members.

VII. Disclosures:

- The Board of Directors receive from time to time, disclosures relating to financial and commercial transactions from key managerial personnel of the Company, where they and/or their relatives have personal interest. There are no materially significant related party transactions entered into by the Company with Directors or Management and their relatives, etc. which may have a potential conflict with the interests of the Company. The Register of Contracts giving details of transactions in which directors are interested, is placed before the Board at every meeting of the Board of Directors.
- The details of related party transactions are placed before and reviewed by the Audit Committee.
- The particulars of transactions between the Company and its related parties as per the Accounting Standard are set out in the Annual Report. However, these transactions are not likely to have any conflict with the Company's interest. There have been no transactions between the Company and key managerial personnel or their relatives.

CORPORATE GOVERNANCE

- The Company has complied with the requirements of Stock Exchanges/Securities and Exchange Board of India/statutory authorities on all matters relating to capital markets. There has been no instance of non-compliance by the Company on any matter related to capital markets. Hence the question of penalties or strictures being imposed by SEBI or the Stock Exchanges does not arise.
- Whistle Blower policy has been formulated and brought to the attention of all the employees. No personnel were denied access to the Audit Committee.
- Pursuant to the provisions of Sub-Clause V of Clause 49 of the Listing Agreement with the Stock Exchanges, the Managing Director (CEO) and the General Manager - Finance (CFO) have issued a certificate to the Board, for the financial year ended March 31, 2012.

The Company has complied with all mandatory requirements as detailed above and also adopted the non mandatory requirements as detailed hereunder:

VIII. Compliance with Non Mandatory Requirements:

1. **The Board:** A separate Office is not maintained for the Non-Executive Chairman of the Company. The composition of the Board of Directors, Committees of the Board are in line with the provisions of the Listing Agreement, the Companies Act, 1956 and other applicable laws.
2. **Remuneration Committee:** The Board has set up a remuneration committee to determine on their behalf and on behalf of the shareholders with agreed terms of reference, the Company's policy on specific remuneration packages for Managing Director.
3. **Shareholders' Rights:** In addition to being published in leading English and a Tamil Newspaper having wide circulation, the Company publishes its financial results on its website www.orientalhotels.co.in. Hence, a quarterly declaration of financial performance including summary of the significant events is not being sent to each household of shareholders individually.
4. **Audit Qualifications:** During the period under review, there are no audit qualifications in its financial statements. The Company continues to adopt best practices to ensure regime of unqualified financial statements.
5. **Mechanism for evaluating Non-Executive Board Members:** The Board of Directors of the Company comprises of 11 Non-Executive Directors. The Directors appointed on the Board are from diverse fields and have long standing experience and expertise in their respective fields.
Non-Executive Directors add substantial value through the discussions at the Meetings of the Board and Committees thereof. To safeguard the interests of the investors, they also play a control role. In the light of the above, the Chairman under authority from the Board decides on the performance of each of the Non-Executive Director and they are accordingly evaluated and remunerated.
6. **Whistle Blower Policy:** The Company has adopted the Whistle Blower Policy pursuant to which employees of the Company can raise their concerns relating to the fraud, malpractice or any other activity or event which is against the interest of the Company or society.

As regards the other non-mandatory requirements, the Board has taken cognizance of the same and shall consider adopting the same as and when necessary.

IX. Secretarial Audit:

In keeping with the requirements of SEBI and Stock Exchanges, a qualified practicing Company Secretary carried out Share Capital audit to reconcile the total admitted capital with National Securities Depository Limited (NSDL) and Central Depository Services (India) Limited (CDSL) and the total issued and listed capital.

CORPORATE GOVERNANCE

The Share Capital audit report confirms that the total issued / paid-up capital is in agreement with the total number of shares in physical form and the total number of dematerialized shares held with NSDL and CDSL.

A certificate from the Statutory Auditors of the Company on Corporate Governance is attached as an annexure to the Report.

X. Means of Communication:

The Board of Directors of the Company approves and takes on record the quarterly un-audited/audited financial results and the year end audited accounts together with the Consolidated Financial Statement in the proforma prescribed by the Listing Agreement with Stock Exchanges after the financial results were reviewed by the Audit Committee and thereafter, announces forthwith the results to all the Stock Exchanges where the shares of the Company are listed. The quarterly/half-yearly/annual financial results are published in “New Indian Express” and “Dinamani”. The financial results of the Company are being posted on the Company’s Website - www.orientalhotels.co.in. The shareholders can visit the company’s web site for financial information, shareholding information, etc.

As per Clause 54 of the Listing Agreement, Companies are mandated to maintain a functional website that contains basic information about the Company duly updated for all statutory filings, including agreements entered into with media companies, if any. Accordingly, the website maintained by the Company, www.orientalhotels.co.in is updated with the information relating to the financial results and shareholding pattern, full version of the Annual Report including the Balance Sheet, Profit and Loss Statement, Directors’ Report and Auditors’ Report, cash flow statements, quarterly, half-yearly and annual financial statements and Corporate Governance Report.

Reminders are being sent periodically to investors to claim their respective shares, dividend and interest/deposits which remain unclaimed.

The Company regularly furnishes all the relevant information as recommended by the Securities and Exchange Board of India (SEBI) and the Stock Exchanges to the Board in a structured manner.

The Annual Report containing inter alia the Audited Accounts, Consolidated Financial Statements, Directors Report, Auditors Report and other important information is circulated to the Members. Management Discussion and Analysis has been included in the Directors’ Report. The Annual Reports are also available on the Company’s website www.orientalhotels.co.in.

XI. Risk Management:

The Company has laid down procedures to inform Board members about the risk assessment and minimization procedures. These procedures are periodically reviewed to ensure that executive management controls risk through means of properly defined framework.

XII. General shareholder information

Annual General Meeting

Date	July 17, 2012
Time	2.45 p.m.
Venue	Sathguru Sri Gnanananda Hall, Narada Gana Sabha, 314, T T K Road, Chennai 600 018.

As required under Clause 49(IV)(G)(i) of the Listing Agreements with the Stock Exchanges, particulars of Directors seeking appointment/re-appointment at the forthcoming Annual General Meeting (AGM) are given in the Annexure to the Notice of the AGM to be held on Tuesday, July 17, 2012.

Agenda:

- **Ordinary Business:**
 - Adoption of Accounts
 - To declare dividend
 - Appointment of Directors retiring by rotation
 - Appointment of auditors

Financial Calender:

Financial Report for:

Quarter ending June 30, 2012	on or before August 15, 2012
Quarter ending September 30, 2012	on or before November 15, 2012
Quarter ending December 31, 2012	on or before February 15, 2013
Quarter ending March 31, 2013	on or before May 30, 2013

Date of Book Closure: **July 11 2012 to July 17, 2012**
(both days inclusive)

Dividend payment date: On or after July 17, 2012 but before August 15, 2012

Company's Financial Year: 1st April to 31st March

Registered Office: Taj Coromandel
37, Mahatma Gandhi Road
CHENNAI 600 034
Telephone No. 044 - 66002827
Facsimile No. 044 - 66002089

Company Secretary's Office: Paramount Plaza II Floor
47, Mahatma Gandhi Road
CHENNAI 600 034
Telephone No. 044 - 28222827
Facsimile No. 044 - 28254447
28278138
Website: www.orientalhotels.co.in
E-mail: ohlshares.mad@tajhotels.com

Listing on Stock Exchanges

- **Equity Shares** Madras Stock Exchange Ltd.
Bombay Stock Exchange Ltd.
National Stock Exchange of India Ltd.
- **Global Depository Receipts:** Luxembourg Stock Exchange, Luxembourg

ORIENTAL HOTELS LIMITED

CORPORATE GOVERNANCE

ISIN No.: INE750A01020

Stock Code:

The National Stock Exchange Ltd. ORIENTHOT EQ

Bombay Stock Exchange Ltd. 500314

The Company has paid annual listing fees to each of the above Stock Exchanges in respect of the financial year 2012/13.

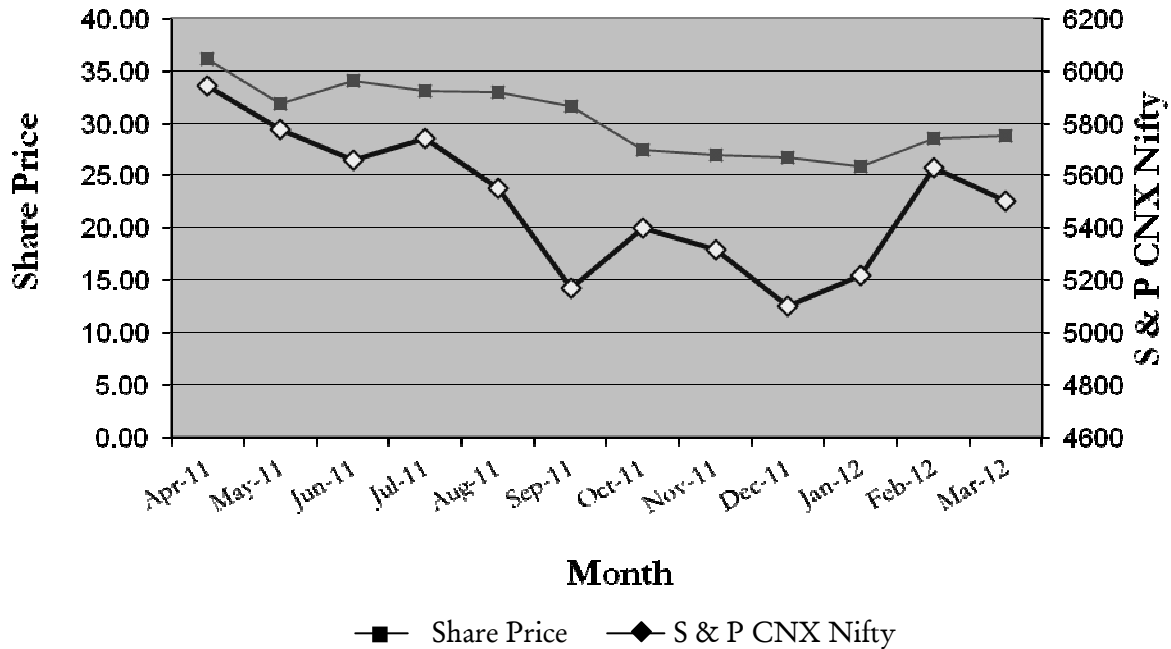
Corporate identification no. (CIN) L55101TN1970PLC005897

Market Price Data:

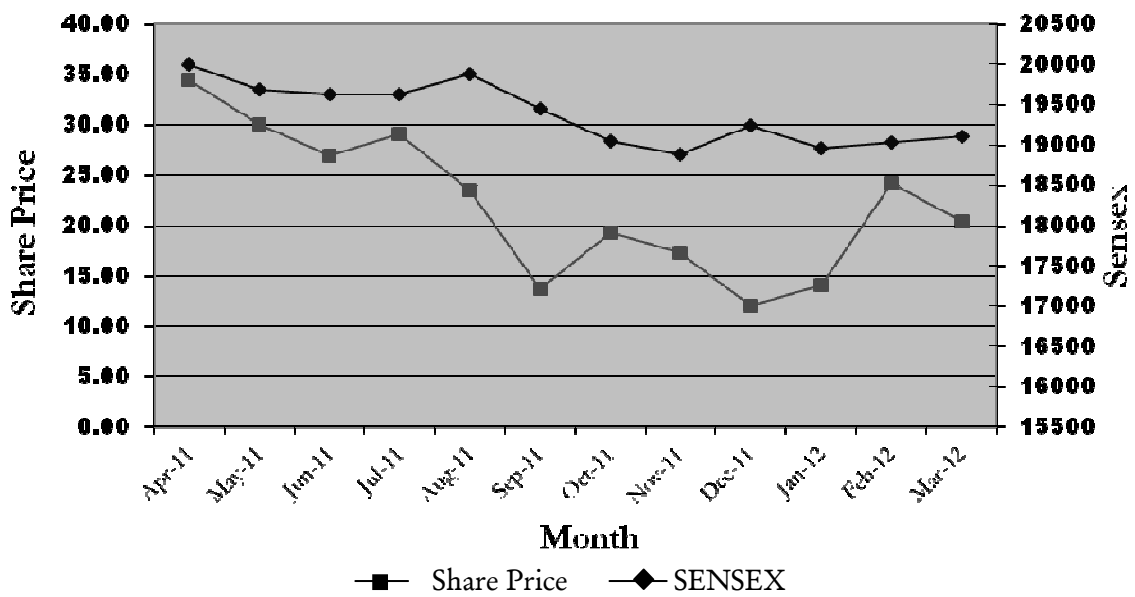
Month-wise High/Low market price of the Company's shares and performance in comparison to Sensex Indices on National Stock Exchange Limited and Bombay Stock Exchange Ltd., Mumbai during the financial year 2011/12 is furnished below:

Month	National Stock Exchange Ltd. (NSE) - share price in ₹		Nifty		Bombay Stock Exchange Ltd. (BSE) - share price in ₹		Sensex	
	High	Low	High	Low	High	Low	High	Low
Apr-11	36.10	28.05	5944.45	5693.25	35.95	27.20	19811.14	18976.19
May-11	31.85	28.70	5775.25	5328.70	33.55	28.80	19253.87	17786.13
Jun-11	34.00	28.15	5657.90	5195.90	33.00	27.05	18873.39	17314.38
Jul-11	33.10	28.35	5740.40	5453.95	33.00	28.50	19131.70	18131.86
Aug-11	32.90	25.00	5551.90	4720.00	35.00	25.95	18440.07	15765.53
Sep-11	31.65	25.60	5169.25	4758.85	31.55	26.00	17211.80	15801.01
Oct-11	27.50	25.00	5399.70	4728.30	28.35	25.65	17908.13	15745.43
Nov-11	26.95	24.15	5317.50	4639.10	27.10	24.05	17661.78	15478.69
Dec-11	26.70	23.10	5099.25	4531.15	29.90	23.05	17003.71	15135.86
Jan-12	25.90	23.50	5217.00	4588.05	27.70	22.10	17258.97	15358.02
Feb-12	28.50	24.10	5629.95	5159.00	28.25	22.10	18523.78	17061.55
Mar-12	28.80	20.25	5499.90	5135.95	28.90	23.50	18040.69	17008.77

Share Price Performance in comparison with S & P CNX Nifty



Share Price Performance in comparison with BSE Sensex



Registrar and Share Transfer Agents:

M/s Integrated Enterprises (India) Limited are the Registrar and Share Transfer Agents of the Company.

Share Transfer System:

The Company's shares which are in compulsory dematerialized (demat) list are transferable through the depository system. Shares in physical form are processed by the Registrars and Share Transfer Agents, M/s Integrated Enterprises (India) Limited and approved by the Share Transfer Committee. The share transfers in physical form are processed within a period of 15 days from the date of receipt of transfer documents.

Share transfers, dividend payments and all other investor related activities are attended to and processed at the office of the Registrars and Transfer Agents.

Places for acceptance of documents:

For lodgment of transfer deeds and any other documents or for any grievances/ complaints, kindly contact at the following address:

Oriental Hotels Limited
Secretarial Department
Paramount Plaza – II Floor
47, Mahatma Gandhi Road
CHENNAI 600 034
Telephone No. 044 – 28222827
Facsimile No. 044 – 28254447
Email: ohlshares.mad@tajhotels.com

Name of the Compliance Officer : Mrs. T S Sundarambal – Company Secretary
Telephone No. 044 – 28222827

OR

M/s Integrated Enterprises (India) Limited
Kences Towers, 1 Ramakrishna Street
North Usman Road, T Nagar,
CHENNAI 600 017
Email: sureshbabu@iepindia.com
Telephone No. 044 – 28140801 to 0803
Facsimile No. 044 – 28142479

Nomination facility for shareholding:

As per the provisions of the Companies Act, 1956, facility for making nomination is available for shareholders in respect of the shares held by them. Nomination forms can be obtained from the Secretarial Department of the Company.

Payment of dividend - National Electronic Clearing Service (NECS):

Reserve Bank of India vide its circular No. DPSS.(Co). EPDD. No. 191.04.01.01/2009-2 010 dated July 29, 2009 has instructed banks to move to the NECS platform with effect from October 1, 2009.

CORPORATE GOVERNANCE

Kindly provide your new bank account number allocated to you after implementation of core banking system by your bank, to avoid ECS credit to your old account getting either rejected or returned. Please provide us your new bank account particulars by quoting your folio number in case of shares held by you in physical form. In case shares are held in dematerialized form, you may kindly provide the details to your Depository Participant to ensure your future dividend payments are correctly credited to your new account.

Shares held in Electronic form:

Shareholders holding shares in electronic form may note that the instructions regarding bank details to be incorporated on their dividend warrants, change of address, nomination and power of attorney should be given directly to the depository Participants.

Trading in Company's shares by Directors and designated Employees:

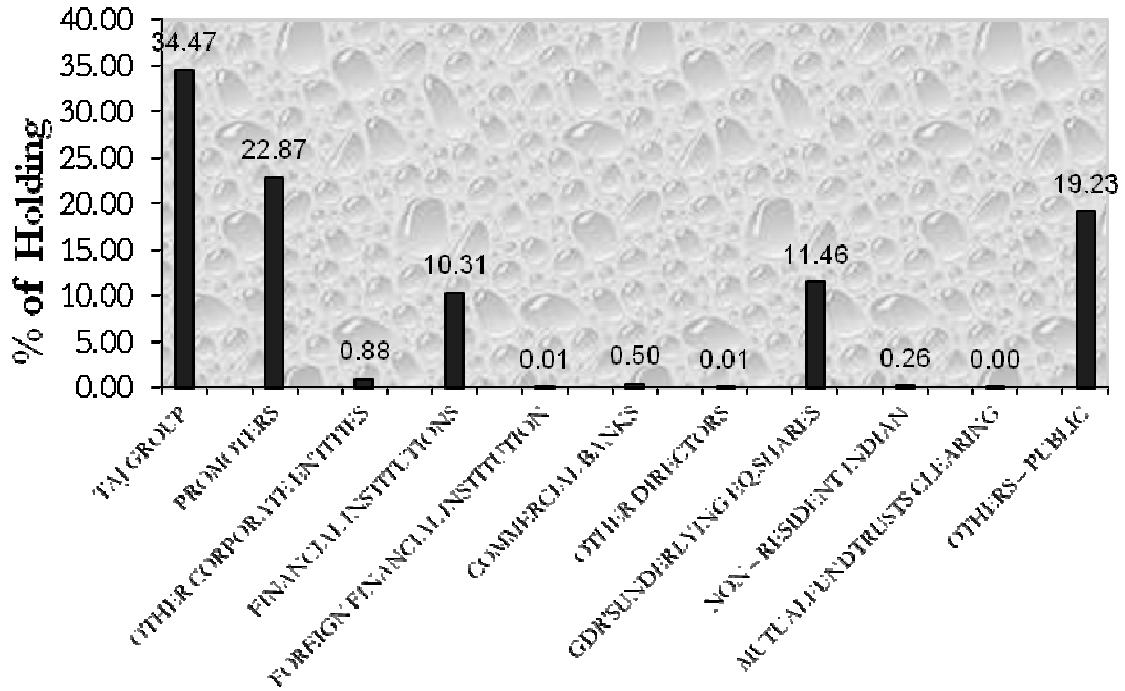
As per SEBI (Insider Trading) Regulations, 1992 as amended on February 20, 2002, the Company is required to have a Compliance Officer who is responsible for setting forth policies, procedures, monitoring adherence to the rules for the preservation of price sensitive information, pre-clearance of trade, monitoring of trades and implementation of the Code of Conduct under the overall supervision of the Board.

The Company has adopted a Code of Conduct for prevention of insider trading in the shares of the Company. The Code, inter-alia, prohibits purchase/sale of shares of the Company by employees while in possession of unpublished price sensitive information in relation to the Company.

Shareholding pattern of the Company as on March 31, 2012

S.No.	PATTERN OF HOLDING	TOTAL HOLDING AS ON 31/03/2011	
		SHARES	% SHARES
1.	Taj Group	61561430	34.47
2.	Promoters	40836828	22.87
3.	Other Corporate Entities	1570170	0.88
4.	Financial Institutions	18411571	10.31
5.	Foreign Financial Institution	10000	0.01
6.	Commercial Banks	888400	0.50
7.	Other Directors	17250	0.01
8.	GDRs underlying Equity Shares		
	Promoters and promoters group	17145090	9.60
	Public	3330840	1.86
9.	Non-Resident Indian	471657	0.26
10.	Mutual Fund Trusts Clearing	8363	0.01
11.	Others – Public	34347581	19.23
	GRAND TOTAL	178599180	100.00

Share Holding Pattern as on March 31, 2012



Srl. No.	Category of Shares	No of Holders	% to Total no. of Shareholders	No of Shares	% to Capital
1	UPTO 500	7842	58.30	1045379	0.59
2	501-1000	1400	10.41	1170099	0.65
3	1001-2000	1247	9.27	1920019	1.08
4	2001-3000	769	5.72	1929715	1.08
5	3001-4000	381	2.83	1338386	0.75
6	4001-5000	585	4.35	2652466	1.49
7	5001-10000	628	4.67	4684393	2.62
8	10000 AND ABOVE	599	4.45	163858177	91.74
	TOTAL	13451	100.00	178,599,180	100.00

Dematerialization of Shares:

As on March 31, 2012, a total number of 17,00,05,714 equity shares of ₹ 1/- each, representing 95.19% are in dematerialized form as compared to 16,70,04,945 (93.51%) equity shares of ₹ 1/- each in the previous year. Trading in the Company's shares in a dematerialized form has been made compulsory.

Outstanding GDRs /ADRs/Warrants or any convertible instruments

There are no outstanding GDRs, the conversion of which will have any impact on the equity capital of the Company.

Two-way fungibility of Global Depository Receipts (GDRs)

Reserve Bank of India, vide its circular dated February 13, 2002, had brought into force the Operative Guidelines for two-way fungibility under the "Issue of Foreign Currency Convertible Bonds and Ordinary Shares (through Depository Receipt mechanism) Scheme, 1993". Consequent thereto, the Company has executed documents with the Depository for GDR holders, supplemental to the Depository Agreement executed at the time of issue of GDRs in 1994, whereby the Company offers investors the facility for conversion of Ordinary Shares into GDRs within the limits prescribed for two-way fungibility.

Location of the Hotel Units of the Company:

1	Taj Coromandel	37 M G Road, Chennai
2	Vivanta by Taj - Fisherman's Cove	Kovalam, Chengai District, Chennai
3	Vivanta by Taj - Malabar	Wellington Island, Kochi
4	Vivanta by Taj - Trivandrum	C.V. Raman Pillai Road, Thiruvananthapuram
5	Vivanta by Taj, Surya	Race Course Road, Coimbatore
6	The Gateway Hotel	Maharanipeta, Visakhapatnam
7	The Gateway Hotel	Pasumalai Hills, Madurai
8	The Gateway Hotel	Upper Coonoor, Coonoor
9	The Gateway Hotel	Old Port Road, Mangalore

Investor Correspondence:

For any queries, shareholders are requested to either write to the Office of the Company Secretary, Paramount Plaza, II Floor, 47, Mahatma Gandhi Road, Chennai 600 034 or to the Company's Registrar and Share Transfer Agents, M/s Integrated Enterprises (India) Limited, II Floor, Kences Towers, 1 Ramakrishna Street, T Nagar, Chennai 600 017.

Report on Corporate Governance:

The Company regularly submits to the Stock Exchanges, within the prescribed period, quarterly reports on Corporate Governance. A certificate from the Statutory Auditors of the Company on Corporate Governance is attached as an annexure to this Report.

CORPORATE GOVERNANCE

DECLARATION BY THE MANAGING DIRECTOR UNDER CLAUSE 49 OF THE LISTING AGREEMENT REGARDING ADHERENCE TO THE CODE OF CONDUCT

In accordance with sub-clause I (D) of Clause 49 of the Listing Agreement with the Stock Exchanges, I hereby confirm that, all the Directors and the Senior Management personnel of the Company have affirmed compliance with their respective Codes of Conduct, as applicable to them, for the Financial Year ended March 31, 2012.

Bengaluru
May 08, 2012

D VARADA REDDY
MANAGING DIRECTOR

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AUDITORS' CERTIFICATE ON COMPLIANCE OF CONDITIONS OF CORPORATE GOVERNANCE AS PER CLAUSE 49 OF THE LISTING AGREEMENT WITH THE STOCK EXCHANGES

To the Members of
ORIENTAL HOTELS LIMITED

We have examined the compliance of conditions of Corporate Governance by Oriental Hotels Limited for the year ended March 31, 2012, as stipulated in Clause 49 of the Listing Agreement of the said Company with the Stock Exchanges.

The compliance of conditions of Corporate Governance is the responsibility of Management. Our examination was limited to procedures and implementation thereof, adopted by the Company to ensure compliance with the conditions of corporate Governance. It is neither an audit nor an expression of opinion on the financial statements of the Company.

In our opinion and to the best of our information and according to the explanations given to us, we certify that the Company has complied with the conditions of Corporate Governance as stipulated in the above mentioned Listing Agreement.

We further state that such compliance is neither an assurance as to the future viability of the Company nor the efficiency or effectiveness with which the Management has conducted the affairs of the Company.

for **BRAHMAYYA & CO.**,
Chartered Accountants
Firm Registration No. 000511S

R Nagendra Prasad
Partner
Membership No. 203377

Place: Bengaluru
Date: May 8, 2012

for **SNB ASSOCIATES**,
Chartered Accountants
Firm Registration No. 015682N

S Lakshmanan
Partner
Membership No. 20045

COMMUNITY INITIATIVES

Community Initiatives

Your company is intrinsically linked to the society and environment by upholding business with trust, transparency and commitment to human values. Your company's community projects are focused around its key strengths in food production, kitchen management, housekeeping, customer service. Your company works towards evolving realistic and sustainable solutions for malnutrition, unemployment and gaps in vocational training and education.

The company works towards facilitating creation of sustainable livelihoods by bridging the divide between organized job market and rural/less-educated/less exposed youth seeking long term livelihood options and by facilitating marginalized sections like the differently abled candidates to gain access to training and employment in hospitality industry. The company also engages itself actively in supporting income generation projects of voluntary networks and NGOs.

Women Self Help Groups were formed to facilitate women empowerment and sustainable livelihood involving them in sustainable income generation activities to supplement their family income. Women are being trained in saree embroidery, shell painting, running petty shops, making jewel boxes, palm leaf, phenyl and candles.

The units work in small towns and areas near their locality through initiatives aimed at facilitating education, nutritional trainings and awareness for enhancing quality of life, promotion of alternative livelihoods and skill trainings for marginalized communities, facilitate local enterprise development like promotion and purchase from community kitchen gardens, encourage sensitive purchases like laundry bags, napkins, candles, peeled garlic, papads, paneer for hotel use.

In Kovalam village near Chennai, vulnerable youth are admitted to Kovalam Community college for a 12 months Diploma course in Hotel Management, A/c Mechanism & DTP course - to gain a TNOU (Tamil Nadu Open University)-accredited diploma and on course completion the students of Hotel Management & AC mechanism are given 6 months internship training with Taj Hotels in Chennai. Evening Study Centre gives special coaching in English, Mathematics and Science subjects to the Kovalam village students to enable them to compete with urban students. More than 300 youth were trained at the Community College and 1274 students have so far been benefited by the special coaching which has resulted in the pass percentage increase from 84% to 100% in the last three years. The students are also provided with nutrition supplements. School fees are being paid to fishermen children. Fishermen families are given a bag of rice each during monsoon times as they will not be able to venture into the sea for fishing.

The units regularly donate clothes, note books, books, uniforms to under privileged children, provide surplus food to the homes for the aged and street children on a daily basis in their locality and special food on festival days, give employment to differently abled wherever possible, support the homes for abandoned street children, under privileged and orphanages in their respective localities in their activities. The units organize blood donation camps and associates donate blood.

Skill Certification Centers are set up in different hotel units to give on the job training to economically backward and underprivileged school drop outs from rural areas and on successful completion of the training, students are given industrial training in the Taj hotels and on successful completion of the training they would be employed by the Taj hotels depending on vacancy. Partnering with NGOs the hotel units extend training to underprivileged youth in laundry, public area and rooms to enable them to get employed.

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AUDITORS' REPORT

To the Members of
ORIENTAL HOTELS LIMITED

1. We have audited the attached financial statements of M/s. Oriental Hotels Limited (the company) comprising of the Balance Sheet as at 31st March 2012, Profit and Loss Statement, the Cash Flow Statement for the year ended on that date, annexed thereto, which we have signed under reference to this report. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audit.
2. We conducted our audit in accordance with auditing standards generally accepted in India. Those Standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.
3. As required by the Companies (Auditors' Report) Order, 2003 issued by the Central Government in terms of subsection (4A) of Section 227 of the Companies Act, 1956 (the Act), we enclose in the Annexure a statement on the matters specified in paragraphs 4 and 5 of the said Order.
4. Further to our comments in the Annexure referred to in paragraph 3 above, we report that:
 - a) We have obtained all the information and explanations, which to the best of our knowledge and belief were necessary for the purpose of our audit.
 - b) Proper books of account as required by law, have been kept by the Company so far as it appears from our examination of those books.
 - c) The Balance Sheet, Profit and Loss Statement and the Cash Flow statement, dealt with by this report, are in agreement with the Books of Account.
 - d) In our opinion, the Balance Sheet, Profit and Loss Statement and the Cash Flow statement, dealt with by this report comply with the accounting standards referred to in subsection (3C) of Section 211 of the Act, to the extent applicable.
 - e) On the basis of the written representations received from the Directors as on 31st March, 2012 and taken on record by the Board of Directors, we report that none of the Directors are disqualified as at 31st March 2012 from being appointed as a Director in the Company in terms of clause (g) of subsection (1) of Section 274 of the Companies Act, 1956.
 - f) In our opinion and to the best of our information and according to the explanations given to us, the said financial statements read together with the notes thereon, in particular Note No. 38 regarding exercising of option under Companies (Accounting Standards)(Second Amendment) Rules, 2011 relating to Accounting Standard (AS) 11 "The Effect of changes in Foreign Exchange rates" resulting in the profit before tax for the year being higher by Rs.1045 lakhs, give the information required by the Act, in the manner so required and give a true and fair view in conformity with accounting principles generally accepted in India:
 - 1) in the case of Balance Sheet, of the state of affairs of the Company as at 31st March, 2012;
 - 2) in the case of the Profit and Loss Statement, of the Profit for the year ended on that date; and
 - 3) in the case of Cash Flow Statement, of the Cash flows for the year ended on that date.

For BRAHMAYYA & CO.,
Chartered Accountants
Firm Registration No: 000511S

For SNB ASSOCIATES
Chartered Accountants
Firm Registration No: 015682N

R. NAGENDRA PRASAD
Partner
Membership No.203377
Place: Bengaluru
Date: May 8, 2012

S. LAKSHMANAN
Partner
Membership No.20045

ANNEXURE TO AUDITORS' REPORT

Referred to in paragraph 3 of our report of even date

1. The company is maintaining proper records, showing full particulars including quantitative details and situation of fixed assets. Fixed assets have been physically verified by the Management during the year based on a phased programme of verifying all the assets over three years, which in our opinion is reasonable having regard to the size of the company and the nature of its Fixed Assets. The discrepancies noticed on such verification were not material and have been properly dealt with in the books of account. There was no substantial disposal of fixed assets during the year.
2. The management has conducted physical verification of inventory at reasonable intervals. The procedures of physically verification of inventory followed by the management are reasonable and adequate in relation to the size of the company and the nature of its business. The company is maintaining proper records of inventory and no material discrepancies were noticed on physical verification.
3. (a) In our opinion and according to the information and explanations given to us, the company has not granted any loan, secured or unsecured, to companies, firms or other parties covered in the register maintained under section 301 of the Act.
(b) In our opinion and according to the information and explanations given to us, the company has not taken any loan, secured or unsecured, from companies, firms or other parties covered in the register maintained under section 301 of the Act.
4. In our opinion and according to the information and explanations given to us, there is an adequate internal control system commensurate with the size of the company and the nature of its business for the purchase of inventory and fixed assets and for sale of goods and services. There is no continuing failure to correct major weaknesses in internal control system.
5. In our opinion and according to the information and explanations given to us, there are no contracts or arrangements referred to in section 301 of the Act that need to be entered into a register in pursuance of said section and therefore reporting under clause v (a) and v (b) of Paragraph 4 of the Order does not arise.
6. In our opinion and according to the information and explanations given to us, the company has complied with the provisions of Section 58 A and Section 58 AA or any other relevant provisions of the Act and the rules framed thereunder and the directives issued by the Reserve Bank of India, wherever applicable, with regard to deposits accepted from the public.
7. The company has an internal audit system, which in our opinion, is commensurate with the size and the nature of its business.
8. The Central Government has not prescribed the maintenance of cost records under Section 209 (1) (d) of the Companies Act, 1956.
9. According to the information and explanations given to us and on the basis of our examination of the books of account, the company has been generally regular in depositing undisputed statutory dues including Provident Fund, Investor Education and Protection Fund, Employees State Insurance, Income Tax, Luxury Tax, Sales Tax, Wealth Tax, Service tax, Customs Duty, Excise Duty and Cess during the year with the appropriate authorities. There are no outstanding statutory dues as at 31st March 2012 for a period of more than six months from the date they became payable.
10. According to the records of the company and information and explanations given to us, in respect of customs duty, wealth tax, excise duty and cess, there are no outstanding amounts that have not been deposited with the appropriate authorities on account of any dispute. The details of disputed income tax, sales tax, luxury tax and service tax that have not been deposited with the appropriate authorities are as follows:

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ANNEXURE TO AUDITORS' REPORT

Nature of Dues	Amount (Rs. in Lakhs)	Forum where dispute is pending
Income Tax		
Income Tax Demand for the Assessment Years 1998-99, 2003-04, 2004-05, 2005-06, 2008-09 and 2009-10	182.37	Income Tax Appellate Tribunal, Chennai / Commissioner of Income Tax (Appeals)
Sales Tax		
Sales Tax demands for the Financial Years, 1992-93 to 1996-97	19.93	Hon'ble High Court of Madras, Chennai
Sales Tax demands for the Financial Years 2004-05 and 2005-06	30.76	The Assistant Commissioner (Commercial Taxes), Chennai
Sales Tax demands for the year 2008-09 and 2009-2010	12.07	The Assistant Commissioner (Commercial Taxes), Special Circle, Thiruvananthapuram
Sales Tax demands for 1990-91 & 1991-92	23.68	Appellate Assistant Commissioner, Chennai
Luxury Tax		
Luxury tax demands for the financial year 2006-07	1.31	Deputy Commissioner (Appeals), Ernakulam
Luxury tax demands for the financial years 2004-05 and 2005-06	28.19	Hon'ble Kerala High Court, Thiruvananthapuram.
Service Tax		
Service Tax demands for the financial years 2003-04 to 2009-2010	94.21	Commissioner of Central Excise (Appeals), Kochi
Service Tax demands for the period October 2005 to September, 2010	88.74	Commissioner of Central Excise (Appeals), Mangalore
Service Tax demands for the period June, 2005 to March, 2010	38.01	Commissioner of Central Excise (Appeals), Madurai
Service Tax demands for the financial year 2004-05 to 2010-11	644.06	Hon'ble High Court of Madras, Chennai

11. The company does not have any accumulated losses at the end of the financial year and has not incurred cash losses during the financial year and in the immediately preceding financial year.
12. Based on our audit procedures and on the basis of information and explanations given by the management, we are of the opinion that the company has not defaulted in payment of dues to Banks or financial institutions. There are no amounts fall due in respect of debentures.
13. According to information and explanations given to us, the company has not granted loans or advances on the basis of security by way of pledge of shares, debentures and other securities.
14. The company is not a chit fund / nidhi / mutual benefit fund / society.

ANNEXURE TO AUDITORS' REPORT

15. Based on our examination of records and the information and explanations given to us, the company has not dealt / traded in shares, securities, debentures and other investments during the year.
16. In our opinion and according to the information and explanations given to us, the company has not given any guarantee for loans taken by others from banks or other institutions.
17. The company has availed term loans from banks during the year which have been applied for the purpose for which they were raised.
18. According to the cash flow statement and other records examined by us and the information and explanations given to us, on an overall basis, funds raised on short term basis prima face, have not been used during the year for long term investment, other than temporary deployment pending application.
19. The company has not made any preferential allotment of shares to parties or companies covered in the register maintained under Section 301 of the Act.
20. According to the information and explanations given to us and the records examined by us, securities have been created in respect of debentures during the year .
21. The company has not raised any monies by public issue during the year.
22. To the best of our knowledge and belief and according to the information and explanations given to us, no fraud on or by the company was noticed or reported during the year.

For BRAHMAYYA & CO.,
Chartered Accountants
Firm Registration No: 000511S

For SNB ASSOCIATES
Chartered Accountants
Firm Registration No: 015682N

R. NAGENDRA PRASAD
Partner
Membership No.203377
Place: Bengaluru
Date: May 08, 2012

S. LAKSHMANAN
Partner
Membership No.20045